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LANDSEA GREEN GROUP CO., LTD.
朗詩綠色集團有限公司
(於百慕達註冊成立之有限公司)
(股份代號：106)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）第13.01B條刊發。

茲提述朗詩綠色集團有限公司（「本公司」）日期為二零一八年四月二十日有關發行150,000,000美元於二零二零年到期且票息為9.625%的優先票據（「原有票據」）的公告（「該公告」）。除另有界定者外，本公告所用詞彙與該公告所界定者具相同涵義。

於二零一八年五月十八日，本公司額外發行50,000,000美元於二零二零年到期且票息為9.625%的優先票據，並與原有票據合併及構成單一系列（「額外票據」）。

請參閱隨附有關額外票據的補充發售備忘錄(「**補充發售備忘錄**」)，該補充發售備忘錄於新交所網站可供查閱。

於聯交所網站刊登補充發售備忘錄的目的僅為向香港投資者公平發佈資訊及遵守上市規則第13.10B條，別無任何其他目的。

補充發售備忘錄並不構成於任何司法權區向公眾提呈出售任何證券的章程、通告、通函、宣傳冊或廣告，亦非邀請公眾提呈認購或購買任何證券，且並不旨在邀請公眾提呈認購或購買任何證券。

補充發售備忘錄不應被視作認購或購買本公司任何證券的誘因，亦不擬構成該等誘因。投資決定不應以補充發售備忘錄所載資料為依據。

承董事局命
朗詩綠色集團有限公司
公司秘書
陳婉縈

香港，二零一八年五月二十三日

於本公告日期，董事局由五名執行董事田明先生、向炯先生、申樂瑩女士、謝遠建先生及周勤女士，一名非執行董事鄒益民先生，以及三名獨立非執行董事許小年先生、丁遠先生及李均雄先生組成。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the supplemental offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the supplemental offering memorandum. In accessing the supplemental offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING SUPPLEMENTAL OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The following supplemental offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC as amended by Directive 2010/73/EC as implemented in the Member States of the European Economic Area (the “EU Prospectus Directive”). The following supplemental offering memorandum has been prepared on the basis that any offers of New Notes offered hereby made to persons in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to publish a prospectus in connection with offers of such New Notes.

PRIIPs Regulation/Prohibition of sales to EEA retail investors — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Within the United Kingdom, the communication of the following supplemental offering memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, the New Notes offered hereby are only available to, and any investment or investment activity to which this document relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the following supplemental offering memorandum or any of its contents.

Confirmation and your representation: In order to be eligible to view this supplemental offering memorandum or make an investment decision with respect to the New Notes, investors must be outside the United States. By accepting the e-mail and accessing this supplemental offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are outside the United States and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and to the extent you purchase the securities described in the attached supplemental offering memorandum, you will be doing so in an offshore transaction pursuant to and in compliance with Regulation S under the Securities Act and (2) that you consent to delivery of such supplemental offering memorandum by electronic transmission.

You are reminded that this supplemental offering memorandum has been delivered to you on the basis that you are a person into whose possession this supplemental offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this supplemental offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This supplemental offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Zhongrong PT Securities Limited as the joint global coordinators, joint bookrunners and joint lead managers (the “Initial Purchasers”), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the supplemental offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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US\$50,000,000
9.625% Senior Notes due 2020
(to be consolidated and form a single series with
the US\$150,000,000 9.625% Senior Notes due 2020 issued on April 25, 2018)

Issue Price: 99.556%
plus accrued interest from (and including) April 25, 2018 to
(but excluding) May 18, 2018

Landsea Green Group Co., Ltd. a company incorporated in Bermuda with limited liability (the "Company"), is offering US\$50,000,000 aggregate principal amount of its 9.625% Senior Notes due 2020 (the "New Notes"). The New Notes will be issued under the indenture (the "Indenture") governing the Company's outstanding US\$150,000,000 aggregate principal amount of 9.625% Senior Notes due 2020 (the "Original Notes"). The New Notes constitute Additional Notes under the Indenture and are identical in all respects of the Original Notes, other than with respect to the date of issuance and issue price. The New Notes will form a single series with the Original Notes. The Original Notes and the New Notes are referred to collectively as the "Notes." Upon completion of this offering, the aggregate principal amount of the outstanding New Notes and the Original Notes will be US\$200,000,000.

The New Notes will bear interest from April 25, 2018 at 9.625% per annum payable semi-annually in arrears on the business day on or nearest to April 25 and October 25 of each year, commencing October 25, 2018. The Notes will mature on April 25, 2020.

This supplemental offering memorandum incorporates the information contained in the attached original offering memorandum dated April 20, 2018 (the "Original Offering Memorandum") and should be read in conjunction with the Original Offering Memorandum. To the extent that there is any inconsistency between any information in this supplemental offering memorandum and the Original Offering Memorandum, the information in this supplemental offering memorandum shall prevail. Terms not defined in this supplemental offering memorandum have the meanings given to them in the Original Offering Memorandum.

The Notes are senior obligations of the Company, guaranteed by certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section entitled "Description of the New Notes" in this supplemental offering memorandum and in the section entitled "Description of the Notes" in the Original Offering Memorandum. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium (as set out in the section entitled "Description of the New Notes" in this supplemental offering memorandum and in the section entitled "Description of the Notes" in the Original Offering Memorandum) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time, we may redeem up to 35% of the Notes, at a redemption price of 109.625% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of capital stock of the Company. Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees."

For a more detailed description of the New Notes, see the section entitled "Description of the New Notes" beginning on page S-5 and in the section entitled "Description of the Notes" in the Original Offering Memorandum.

The Notes are being issued as "Green Bonds" under our Green Bond Framework. See the section entitled "Notes Being Issued as Green Bonds" in the Original Offering Memorandum.

Investing in the Notes involves certain risks. Please see "Risk Factors" in the Original Offering Memorandum for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this supplemental offering memorandum and the Original Offering Memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The New Notes are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

The Notes are expected to maintain the ratings of "B3" by Moody's, "B-" by S&P and "B" by Fitch. A rating is not recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated February 6, 2018 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within ten working days after the issue date of the New Notes. We have reported the relevant information relating to the issue of the Original Notes to the NDRC within ten working days after the issue date of the Original Notes.

It is expected that the delivery of the New Notes will be made on or about May 18, 2018 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International

Haitong International

Zhongrong PT Securities Limited

The date of this supplemental offering memorandum is May 15, 2018.

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This supplemental offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this supplemental offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this supplemental offering memorandum or that the information contained in this supplemental offering memorandum is correct as of any time after that date.

This supplemental offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC as amended by Directive 2010/73/EC as implemented in the Member States of the European Economic Area (the "EEA") (the "EU Prospectus Directive"). This supplemental offering memorandum has been prepared on the basis the offer of the New Notes will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of such New Notes.

PRIPs Regulation/Prohibition of sales to EEA retail investors — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs

Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Within the United Kingdom, the communication of the following supplemental offering memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, the New Notes offered hereby are only available to, and any investment or investment activity to which this document relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the following supplemental offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, EACH OF THE INITIAL PURCHASERS (OR ANY PERSON ACTING ON BEHALF OF IT) MAY PURCHASE AND SELL THE NEW NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILISING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILISE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AND NOT FOR US ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this supplemental offering memorandum contains all information with respect to us referred to in this supplemental offering memorandum and the New Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the New Notes; (ii) the statements contained in this supplemental offering memorandum relating to us are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this supplemental offering memorandum with regard to us are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, the New Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the New Notes, make this supplemental offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. The Company accepts responsibility for the accuracy of the information contained in this supplemental offering memorandum accordingly.

This supplemental offering memorandum is strictly confidential. We are furnishing this supplemental offering memorandum solely for the purpose of enabling you to consider the purchase of the New Notes. If you have any doubt about this supplemental offering memorandum, you should consult your bank manager, legal counsel, professional accountant or other professional advisor. You must not use this supplemental offering memorandum for any other purpose, or disclose any information in this supplemental offering memorandum to any other person.

In making an investment decision, each prospective investor must rely on its own examination of the Company and its subsidiaries (collectively, the “Group”) and the terms of the New Notes, including, without limitation, the merits and risks involved. Each person receiving this supplemental offering memorandum is advised to read and understand the contents of this supplemental offering memorandum, including the financial statements and the related notes thereto, before investing in the New Notes. We have provided the information contained in this supplemental offering memorandum and have also relied on other identified sources. By purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Plan of Distribution” below.

No representation or warranty, expressed or implied, is made by Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Limited and Zhongrong PT Securities Limited (collectively, the Initial Purchasers” and each an “Initial Purchaser”), DB Trustees (Hong Kong) Limited (the “Trustee”) and Deutsche Bank AG, Hong Kong Branch (the “Paying Agent”, the “Transfer Agent” and the “Registrar”, collectively, the “Agents”) or any of their respective directors, officers, employees, affiliates, advisers, agents or representatives as to the accuracy, sufficiency or completeness of such information, and you should not rely on anything contained in this supplemental offering memorandum as a promise or representation by the Initial Purchasers or the Trustee. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents or any of their respective directors, officers and affiliates accept any responsibility or liability in relation to information contained in this supplemental offering memorandum, statement made or purported to be made by any of the Initial Purchasers, the Trustee or the Agents or on its behalf, or any other information provided by us in connection with the Company, the New Notes, the Subsidiary Guarantees or the issue and offering of the New Notes. This supplemental offering memorandum is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the Initial Purchasers, the Trustee or the Agents that any recipient of this supplemental offering memorandum should purchase the New Notes.

None of the Initial Purchasers or any of their respective affiliates undertakes to review the financial condition or affairs of the Company or the Subsidiary Guarantors for so long as the New Notes remain outstanding, nor to advise any investor or potential investor of the New Notes of any information coming to the attention of any of the Initial Purchasers or their respective affiliates. By accepting delivery of this supplemental offering memorandum, you agree to these terms.

Each prospective purchaser of the New Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the New Notes or possesses or distributes this supplemental offering memorandum and must obtain any consents, approvals or permissions required for the purchase, offer or sale by it of the New Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Company, the Subsidiary Guarantors and the Initial Purchasers shall have any responsibility therefor.

Each person receiving this supplemental offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or the Trustee or any person affiliated with the Initial Purchasers or the Trustee in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us and our subsidiaries, the New Notes or the Subsidiary Guarantees other than as contained herein.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this supplemental offering memorandum. Any representation to the contrary is a criminal offence in the United States.

This supplemental offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this supplemental offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. Neither we nor the Initial Purchasers nor any of their respective directors, officers, employees, affiliates, advisers, agents or representatives are making any representations to you regarding the legality of an investment in the notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this supplemental offering memorandum to be legal, business or tax advice.

We reserve the right to withdraw the offering of New Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the New Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the New Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the New Notes.

RECENT DEVELOPMENT

The 2015 Private Notes have matured and have been repaid on April 30, 2018.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the same meanings given to them in “Description of the Notes” in the Original Offering Memorandum.

Issuer	Landsea Green Group Co., Ltd. (the “Company”)
New Notes Offered	US\$50,000,000 aggregate principal amount of 9.625% Senior Notes due 2020 (the “New Notes”), to be consolidated and form a single series with the US\$150,000,000 9.625% senior notes due 2020 (the “Original Notes” and, together with the New Notes, the “Notes”).
Issue Price	99.556% of the principal amount of the New Notes, plus accrued interest from (and including) April 25, 2018 to (but excluding) May 18, 2018.
Maturity Date	April 25, 2020.
Interest	The Notes bear interest from and including April 25, 2018 at the rate of 9.625% per annum, payable semi-annually in arrears.
Interest Payment Dates	April 25 and October 25 of each year, commencing October 25, 2018.
Use of Proceeds	We intend to use the net proceeds from this offering in accordance with our Green Bond Framework.
Delivery of the Notes	The Company expects to make delivery of the New Notes, against payment in same-day funds on or about May 18, 2018 which the Company expects will be the third business day following the date of this supplemental offering memorandum referred to as “T+3.” You should note that the initial trading of the New Notes may be affected by the “T+3” settlement. See “Plan of Distribution.”

For all other terms, please refer to the section entitled “The Offering” in the Original Offering Memorandum.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US\$49.0 million, which we plan to use for repayment of indebtedness, including working capital and general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2017 on an actual basis and as adjusted after giving effect to the issue of the New Notes after deducting the underwriting commissions and discounts and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with our consolidated financial statements and related notes included in the Original Offering Memorandum.

	As of December 31, 2017			
	Actual		As adjusted ⁽¹⁾	
	(RMB'000)	(US\$'000) (Unaudited)	(RMB'000) (Unaudited)	(US\$'000) (Unaudited)
Cash and cash equivalent⁽²⁾	3,341,835	513,631	4,617,070	709,631
Current borrowings⁽³⁾	2,174,458	334,208	2,174,458	334,208
Non-current borrowings⁽⁴⁾:				
Borrowings	3,254,957	500,278	3,254,957	500,278
Original Notes	—	—	956,426	147,000
New Notes to be issued	—	—	318,809	49,000
Total non-current borrowings	<u>3,254,957</u>	<u>500,278</u>	<u>4,530,192</u>	<u>696,278</u>
Total equity	<u>3,698,063</u>	<u>568,382</u>	<u>3,698,063</u>	<u>568,382</u>
Total capitalization⁽⁵⁾	<u>6,953,020</u>	<u>1,068,660</u>	<u>8,228,255</u>	<u>1,264,660</u>

Notes:

- (1) Figures in the “As adjusted” column reflect the issue of the Notes and the receipt of the gross proceeds thereof after deducting the underwriting commissions and discounts and other estimated expenses payable by us in connection with the issue of the Notes.
- (2) Cash and cash equivalents do not include restricted cash of RMB282.0 million (US\$43.3 million).
- (3) Current borrowings includes the current portion of long-term bank borrowings and other borrowings.
- (4) Our total non-current borrowings does not include any accrual for capital and other commitments.
- (5) Total capitalization equals total non-current borrowings plus total equity.

Since December 31, 2017, we have entered into certain loan agreements with certain banks or companies. For details about such loans, see “Description of Material Indebtedness and Other Obligations” in the Original Offering Memorandum.

Except as otherwise disclosed in this supplemental offering memorandum, there has been no material adverse change in our capitalization and indebtedness since December 31, 2017.

DESCRIPTION OF THE NOTES

The following provisions should be read in conjunction with the section entitled “Description of the Notes” in the Original Offering Memorandum.

The Company will issue the New Notes as Additional Notes under the Indenture.

The Company is issuing US\$50,000,000 aggregate principal amount of New Notes in this offering. The New Notes constitute Additional Notes under the Indenture and are identical in all respects to the Original Notes, other than with respect to the issue date and issue price, and will be consolidated and form a single series with the Original Notes. Upon completion of this offering, the aggregate principal amount of outstanding New Notes and Original Notes will be US\$200,000,000. Interest on the New Notes will accrue from April 25, 2018. All references to the Notes in the Original Offering Memorandum include the New Notes and the Original Notes, except as otherwise stated.

The New Notes issued will have the same ISIN and Common Code as those that are assigned to the Original Notes previously sold to investors. The New Notes will be subject to restrictions on transfer as set forth in a legend appearing thereon as described in the section entitled “Transfer Restrictions” in the Original Offering Memorandum.

Unless otherwise defined below, you can find the definitions of terms used in this section under “Description of the Notes — Definitions” in the Original Offering Memorandum.

PLAN OF DISTRIBUTION

Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Zhongrong PT Securities Limited are acting as the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of this offering and as the Initial Purchasers named below. Subject to the terms and conditions contained in a purchase agreement dated May 15, 2018 (the “Purchase Agreement”), each Initial Purchaser has agreed to purchase from us, and we have agreed to sell to such Initial Purchaser, the following principal amount of the New Notes set forth opposite such Initial Purchaser’s name.

Initial Purchasers	Principal Amount
	US\$
Guotai Junan Securities (Hong Kong) Limited	U.S.\$10,000,000
Haitong International Securities Company Limited	U.S.\$10,000,000
Zhongrong PT Securities Limited	U.S.\$30,000,000
Total	U.S.\$50,000,000

The Purchase Agreement provides that the obligation of each of the Initial Purchasers to pay for and accept delivery of the New Notes is several and not joint and subject to certain other conditions. The Purchase Agreement may be terminated by the Initial Purchasers in certain circumstances prior to the payment of the New Notes.

The Initial Purchasers initially propose to offer the New Notes to investors at the offering price set forth on the cover page of this supplemental offering memorandum outside the United States in reliance on Regulation S under the Securities Act. See “Transfer Restrictions” in the Original Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell New Notes through certain of their affiliates.

We and the Subsidiary Guarantors have agreed to jointly and severally indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof. We and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with this offering. In addition, we have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the New Notes by their private bank clients. This commission will be based on the principal amount of the New Notes so distributed, and may be deducted from the purchase price for the New Notes payable by such private banks upon settlement.

The Original Notes are listed on the SGX-ST and approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that the prices at which the New Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the New Notes will develop and continue after this offering. Each of the Initial Purchasers has advised us that it currently intends to make a market in the New Notes. However, each of the Initial Purchasers is not obligated to do so and it may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the New Notes. In connection with this offering of the New Notes, each of the Initial Purchasers (or any person acting on behalf of it) may, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the price of the New Notes. Specifically, the Initial Purchasers may over allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the New Notes in the open market to cover syndicate shorts or to stabilize the price of the New Notes. Any of these activities, which may be effected in the over-the-counter market or otherwise, may stabilize or maintain the market price of the New Notes above independent market levels. However, the Initial Purchasers are not obligated or required to engage in these activities, and may end any of these activities at any time at their sole discretion without prior notice. No assurance can be given as to the liquidity of, or the trading market for, the New Notes.

We have agreed that, until the issue date of the New Notes, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us and having a tenor of more than one year (other than (i) the New Notes and (ii) any such debt securities offered in any private placement). The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

We expect that delivery of the New Notes will be made against payment therefor on or about the date specified on the cover page of this supplemental offering memorandum, which we expect will be on or about the third business day following the pricing date of the New Notes (this settlement cycle being referred to as “T+3”). Purchasers who wish to trade New Notes prior to that date will be required, by virtue of the fact that the New Notes initially will settle in “T+3”, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own legal adviser.

Investors who purchase New Notes from the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this supplemental offering memorandum.

The Initial Purchasers and their affiliates may have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory services brokerage, wealth management, private equity, trading and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses. Furthermore, we may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the New Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the New Notes, the Initial Purchasers and/or their affiliate(s) may act as an investor for its own account and may take up New Notes in this offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with this offering. Accordingly, references herein to the New Notes being offered should be read as including any offering of the New Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Selling Restrictions

You should refer to the section entitled “Plan of Distribution — Selling Restrictions” in the Original Offering Memorandum.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of the United states federal and New York law and Hong Kong law, King & Wood Mallesons as to matters of PRC law, Conyers Dill & Pearman as to matters of Bermuda law and British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to the matters of the United States federal and New York law and JunHe LLP as to matters of PRC law.

GENERAL INFORMATION

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Securities is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
The Notes	XS1807156499	180715649

Listing of the Notes

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this supplemental offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Note is exchanged for individual definitive notes, we shall appoint and maintain a paying agent in Singapore, where the individual definitive notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global note is exchanged for individual definitive notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive notes, including the details of the paying agent in Singapore.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2017 that is material in the context of the issue of the New Notes.

Consents

We have obtained all the necessary consents, approvals and authorizations in Bermuda, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantee. The issue of the New Notes have been authorized by a resolution of our board of directors dated May 10, 2018.

Litigation

Except as disclosed in this supplemental offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the New Notes or the Subsidiary Guarantees.

REGISTERED OFFICES

Registered Office

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Unit 5103, 51/F., The Center
99 Queen's Road Central
Hong Kong

TRUSTEE

DB Trustees (Hong Kong) Limited
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

LEGAL ADVISORS TO THE COMPANY

As to U.S. and Hong Kong Law

Sidley Austin
Level 39, Two International
Finance Centre
8 Finance Street
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As to Bermuda Law

Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to British Virgin Islands Law

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8 Connaught Place
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As to PRC Law

King & Wood Mallesons
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Shanghai ICC
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Shanghai, PRC

LEGAL ADVISORS TO THE INITIAL PURCHASERS

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Chater Road
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As to PRC Law

JunHe LLP
20/F, China Resources Building
Dongcheng District
Beijing, PRC

INDEPENDENT AUDITORS

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The following offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC as amended by Directive 2010/73/EC as implemented in the Member States of the European Economic Area (the “EU Prospectus Directive”). The following offering memorandum has been prepared on the basis that any offers of Notes offered hereby made to persons in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to publish a prospectus in connection with offers of such Notes.

PRIIPs Regulation/Prohibition of sales to EEA retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Within the United Kingdom, the communication of the following offering memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this document relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the following offering memorandum or any of its contents.

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the Notes, investors must be outside the United States. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are outside the United States and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and to the extent you purchase the securities described in the attached offering memorandum, you will be doing so in an offshore transaction pursuant to and in compliance with Regulation S under the Securities Act and (2) that you consent to delivery of such offering memorandum by electronic transmission.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited and China International Capital Corporation Hong Kong Securities Limited as the joint global coordinators, joint bookrunners and joint lead managers and Morgan Fuel Go Securities Limited as the joint bookrunner and joint lead manager (the “Initial Purchasers”), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

 **LANDSEA 朗诗**
— 引领绿色生活 —
Landsea Green Group Co., Ltd.
朗诗绿色集团有限公司
(incorporated in Bermuda with limited liability)

US\$150,000,000
9.625% Senior Notes due 2020

Issue Price: 99.556%

The 9.625% Senior Notes due 2020 (the “Notes”) will bear interest from April 25, 2018 at 9.625% per annum payable semi-annually in arrears on and of each year, beginning October 25, 2018. The Notes will mature on April 25, 2020.

The Notes are senior obligations of Landsea Green Group Co., Ltd. (the “Company”), guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section entitled “Description of the Notes.” We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium (as set out in the section entitled “Description of the Notes” of this offering memorandum) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time, we may redeem up to 35% of the Notes, at a redemption price of 109.625% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of capital stock of the Company. Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

For a more detailed description of the Notes, see the section entitled “Description of the Notes” beginning on page 132.

The Notes are being issued as “Green Bonds” under our Green Bond Framework. See the section entitled “Notes Being Issued as Green Bonds” beginning on page 51.

Investing in the Notes involves certain risks. Please see “Risk Factors” beginning on page 19 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see the section entitled “Transfer Restrictions.”

The Notes are expected to be rated “B3” by Moody’s, “B-” by S&P and “B” by Fitch. A rating is not recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “NDRC Notice”) promulgated by National Development and Reform Commission (the “NDRC”) of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated February 6, 2018 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten working days after the issue date of the Notes.

It is expected that the delivery of the Notes will be made on or about April 25, 2018 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”), against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

**Guotai Junan
International**

Haitong International

HSBC

**China International
Capital Corporation**

Joint Bookrunner and Joint Lead Manager

Morgan Fuel Go Securities Limited

Sole Green Structuring Advisor

HSBC

The date of this offering memorandum is April 20, 2018.

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This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

This offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC as amended by Directive 2010/73/EC as implemented in the Member States of the European Economic Area (the “EEA”) (the “EU Prospectus Directive”). This offering memorandum has been prepared on the basis the offer of the Notes will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of such Notes.

PRIIPs Regulation/Prohibition of sales to EEA retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Within the United Kingdom, the communication of the following offering memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”)), or within Article

49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this document relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the following offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, EACH OF THE INITIAL PURCHASERS (OR ANY PERSON ACTING ON BEHALF OF IT) MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILISING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILISE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AND NOT FOR US ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us referred to in this offering memorandum and the Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, the Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. The Company accepts responsibility for the accuracy of the information contained in this offering memorandum accordingly.

This offering memorandum is strictly confidential. We are furnishing this offering memorandum solely for the purpose of enabling you to consider the purchase of the Notes. If you have any doubt about this offering memorandum, you should consult your bank manager, legal counsel, professional accountant or other professional advisor. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

In making an investment decision, each prospective investor must rely on its own examination of the Company and its subsidiaries (collectively, the “Group”) and the terms of the Notes, including, without limitation, the merits and risks involved. Each person receiving this offering memorandum is advised to read and understand the contents of this offering memorandum, including the financial statements and the related notes thereto, before investing in the Notes. We have provided the information contained in this offering memorandum and have also relied on other identified sources. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Plan of Distribution” below.

No representation or warranty, expressed or implied, is made by Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, China International Capital Corporation Hong Kong Securities Limited and Morgan Fuel Go Securities Limited (collectively, the Initial Purchasers” and each an “Initial Purchaser”), DB Trustees (Hong Kong) Limited (the “Trustee”) and Deutsche Bank AG, Hong Kong Branch (the “Paying Agent”, the “Transfer Agent” and the “Registrar”, collectively, the “Agents”) or any of their respective directors, officers, employees, affiliates, advisers, agents or representatives as to the accuracy, sufficiency or completeness of such information, and you should not rely on anything contained in this offering memorandum as a promise or representation by the Initial Purchasers or the Trustee. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents or any of their respective directors, officers and affiliates accept any responsibility or liability in relation to information contained in this offering memorandum, statement made or purported to be made by any of the Initial Purchasers, the Trustee or the Agents or on its behalf, or any other information provided by us in connection with the Company, the Notes, the Subsidiary Guarantees or the issue and offering of

the Notes. This offering memorandum is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the Initial Purchasers, the Trustee or the Agents that any recipient of this offering memorandum should purchase the Notes.

None of the Initial Purchasers or any of their respective affiliates undertakes to review the financial condition or affairs of the Company or the Subsidiary Guarantors for so long as the Notes remain outstanding, nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Initial Purchasers or their respective affiliates. By accepting delivery of this offering memorandum, you agree to these terms.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum and must obtain any consents, approvals or permissions required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Company, the Subsidiary Guarantors and the Initial Purchasers shall have any responsibility therefor.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or the Trustee or any person affiliated with the Initial Purchasers or the Trustee in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us and our subsidiaries, the Notes or the Subsidiary Guarantees other than as contained herein.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offence in the United States.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. Neither we nor the Initial Purchasers nor any of their respective directors, officers, employees, affiliates, advisers, agents or representatives are making any representations to you regarding the legality of an investment in the notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice.

We reserve the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we”, “us”, “our”, the “Group”, the “Company” and words of similar import, we are referring to Landsea Green Group Co., Ltd. itself and its consolidated subsidiaries, as the context requires.

Market data, industry forecast, and the PRC and property industry statistics, and certain information and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe such information to be reliable, it has not been independently verified by us the Initial Purchasers, or our or their respective directors, officers, employees, affiliates, advisers, agents or representatives, and neither us, the Initial Purchasers, nor our or their respective directors, officers, employees, affiliates, advisers, agents or representatives make any representation as to the accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

In this offering memorandum, all references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); all references to “HK\$” and “Hong Kong dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”).

We prepare and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5063 to US\$1.00, the noon buying rate in New York city for cable transfers payable in Renminbi for customs purposes by the Federal reserve bank of new York on December 29, 2017, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.8128 to US\$1.00, the noon buying rate in New York city for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of new York on December 29, 2017. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled “Exchange Rate Information.”

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) which may differ in certain material respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences in generally accepted accounting principles.

Unless the context otherwise requires, references to “2015”, “2016” and “2017” in this offering memorandum are to our financial years ended December 31, 2015, 2016 and 2017, respectively.

References to the “2014 Private Notes” are to our 9.56% senior notes due 2017 with an aggregate principal amount of US\$100,000,000 issued by us to Great Wall Pan Asia International Investment Co., Limited, a subsidiary company of China Great Wall Asset Management Corporation on September 25, 2014. We redeemed all outstanding 2014 Private Notes on October 3, 2016. No 2014 Private Note therefore is outstanding as of the date of this offering memorandum.

References to the “2015 Private Notes” are to our 9.50% senior notes with an aggregate principal amount of US\$100,000,000 due 2018 issued by us to Haitong International Securities Company Limited. For further information, see “Description of Material Indebtedness and Other Obligations — 2015 Private Notes”.

References to “GFA” are to gross floor area.

References to “ASP” are to average selling price.

References to “sq.m.” are to the measurement unit of square meters.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.01, in our share capital.

References to “PRC” and “China”, for the purposes of this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (“Macau”) or Taiwan. “PRC government” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

References to “public tender”, “auction”, or “listing-for-sale” are to the public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government.

References to “residential property(ies)” are to the property(ies) designated for residential use. References to “saleable GFA” in relation to (i) completed property projects, are to the total GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for sale purposes; and (ii) projects where we have obtained pre-sale permits, are to the saleable GFA as shown in the pre-sale permits, completion documents, survey documents and/or property ownership certificates for sales purposes.

In this offering memorandum, unless the context otherwise requires, all references to “affiliate” are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended (the “Listing Rules”), which includes: (i) a “subsidiary undertaking” as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and all references to “controlling shareholder” are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and “controlling interest” will be construed accordingly.

In this offering memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus. In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by

relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not equal to the apparent total of the individual terms and actual numbers may differ from those contained herein due to rounding.

The English names of PRC nationals, entities, departments, facilities, laws, regulations certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated income statement and balance sheet data for the years ended and as of December 31, 2015, 2016 and 2017 have been extracted from the consolidated financial statements for the years ended December 31, 2016 and 2017 audited by PricewaterhouseCoopers and included elsewhere in this offering memorandum.

We acquired the entire interest in Epic China Limited from a shareholder on January 29, 2016 at a total consideration of RMB718,940,633 (equivalent to approximately HK\$871,140,364). Such consideration was settled by way of issuance of 610,659,269 ordinary shares and HK\$432,687,009 (equivalent to RMB363,847,000) convertible perpetual securities. One of our wholly owned subsidiaries, Shanghai GR and Management Co., Ltd., acquired the entire interest of Shanghai Landsea Planning and Architectural Design Co., Ltd. from a fellow subsidiary on January 29, 2016 for an aggregation consideration of RMB19,500,000. These acquisitions are considered as a business combination involving entities under common control and have been accounted for by using merger accounting method. As a result of adoption of merger accounting, the consolidated balance sheet as at December 31, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2015 were restated to include the result of Epic China Limited and Shanghai Landsea Planning and Architectural Design Co., Ltd. during that year, as if the business combinations had been occurred from the beginning of 2015. The comparative financial information of the Group for the year ended December 31, 2015 as included in the audited consolidated financial statements for the year ended December 31, 2016 were neither audited nor reviewed by PricewaterhouseCoopers and are not comparable with the audited consolidated financial statements of the Group for the year ended December 31, 2015. Details of relevant restatements for the business combination under common control on our financial position as of December 31, 2016 and December 31, 2015 are set out in note 2 to our consolidated financial statements as of and for the year ended December 31, 2016 included in this offering memorandum.

Such financial statements are prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”). HKFRS differs in certain material respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences from generally accepted accounting principles. Certain amounts and percentages included in this offering memorandum have been rounded. Accordingly, the sum of the numbers in a column may not exactly equal the total figure for that column.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements”. All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “potential,” “continue,” “project,” “ought to,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates and interest rates; and

- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set out in this section. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in Bermuda with limited liability, and each Subsidiary Guarantor and JV Subsidiary Guarantors (if any) is also incorporated outside the United States, such as the British Virgin Islands (the “BVI”) and Hong Kong. Bermuda has a different body of securities laws from the United States and protections for investors may differ.

All of our assets and the assets of the Subsidiary Guarantors, and all or some of the assets of the JV Subsidiary Guarantors (if any) may be, are located outside the United States.

In addition, all of our directors and officers and the Subsidiary Guarantors’ and the JV Subsidiary Guarantors’ (if any) directors and officers are nationals or residents of countries other than the United States (principally in the PRC), and all or a substantial portion of such persons’ assets are located or may be located, as the case may be, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors or such persons or to enforce against us or any of the Subsidiary Guarantors or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us or the Subsidiary Guarantors and the JV Subsidiary Guarantors in any state or the United States federal court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, or the Indenture governing the Notes and the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

We have been advised by our Bermuda legal advisers, Conyers Dill & Pearman, that a final and conclusive judgment *in personam* obtained in a court of the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) would be recognised by the courts of Bermuda as a valid judgement and the courts of Bermuda would give a judgment based thereon provided that (i) such court had proper jurisdiction over the parties subject to such judgment; (ii) such court did not contravene the rules of natural justice of Bermuda; (iii) such judgment was not obtained by fraud; (iv) the enforcement of the judgment would not be contrary to the public policy of Bermuda; (v) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda; and (vi) there is due compliance with the correct procedures under the laws of Bermuda.

We have been advised by our British Virgin Islands legal advisers, Conyers Dill & Pearman, that a final and conclusive judgment *in personam* obtained in a court of the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) would be recognised by the courts of the British Virgin Islands as a valid judgement and the courts of the British Virgin Islands would give a judgment based thereon provided that (i) such court had proper jurisdiction over the parties subject to such judgment, (ii) such court did not contravene the rules of natural justice of the British Virgin Islands, (iii) such judgment was not obtained by fraud, (iv) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (v) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (vi) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for debt or a definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

Further, we have been advised by our PRC legal advisers, King & Wood Mallesons, that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor or its directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor or its directors or officers predicated upon the U.S. federal or state securities laws.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire offering memorandum, including the section entitled “Risk Factors” and our consolidated financial information and related notes thereto, before making an investment decision.

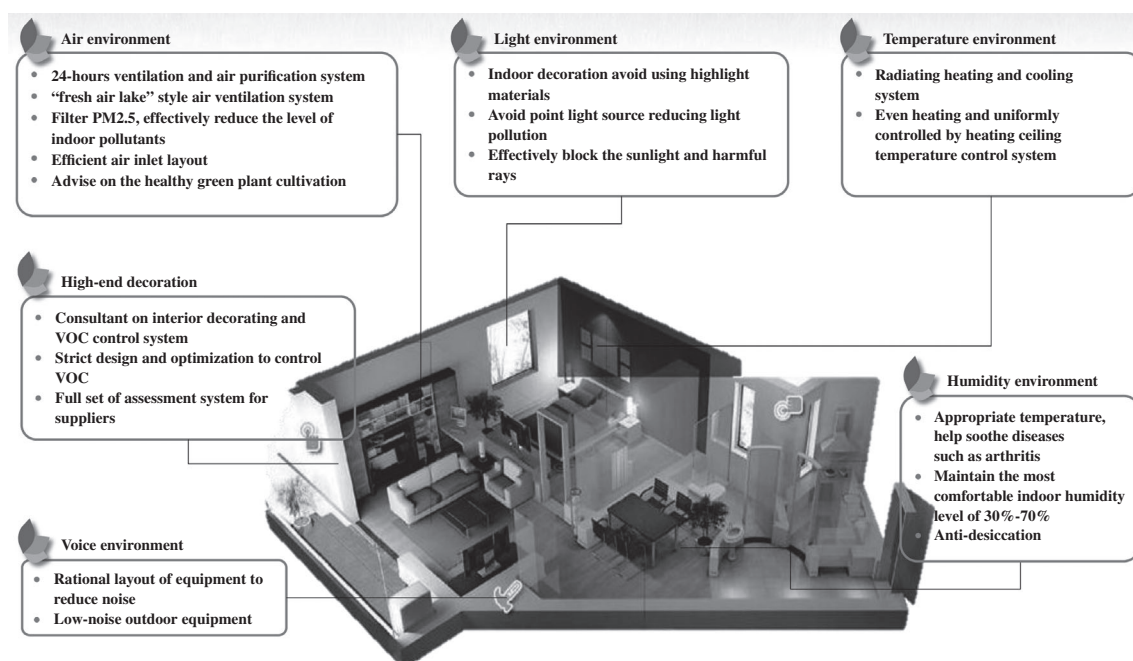
OVERVIEW

We are a PRC property developer focusing on the development of green, energy-saving and eco-friendly residential properties. According to China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Evaluation and Assessment Center, we have been on the list of the Top 100 China Real Estate Enterprises for seven consecutive years since 2010. We have also been recognized as the China Green Property Developer of the Year for 2017 by the Boao Real Estate Forum in 2017. We have also received a number of awards or recognitions for our various property development projects. We have received the 2015 National Pioneer Award for Green Building from China Green Building Council in 2015, the platinum certification from the German Sustainable Building Committee of the German Sustainable Building Committee (“DGNB”) for our Brucker Passive House project in 2016, which was the first time such certification was awarded to a PRC property developer, the Value Creation Award of China Elite Program organized by Yicai.com in 2017, Jingrui Prize Gold Award for our Landsea 8th Renmin Road project from the National Science and Technology Awards Studio of the Ministry of Science and Technology of the PRC in December 2017, and the PHI PLUS Gold Certification from the German Passive House Institute for our Beijing Yanqing Passive House project in 2018. Under our “product differentiation, asset-light transformation and market-internationalization” development strategies, we have expanded our operations into many first and second-tier cities in China, including Shanghai, Hangzhou, Suzhou, Nanjing, Wuhan, Chengdu, Changsha, Hefei, Tianjin and Wuxi, as well as certain other major international cities, such as New York, Boston, San Francisco and Los Angeles, in the United States.

We focus on the development of residential properties with innovative technologies and green ecological environment. We develop our business under the strategies of “product-differentiation, asset-light and market-internalization” and actively explore opportunities in our efforts to develop various types of green operation or services. We brought to market environmentally friendly and energy-saving properties, including the 1.0 version products represented by our Nanjing Landsea International Block, the 2.0 version products represented by our Landsea Zhongshan Green County and currently the 3.0 version products represented by our Landsea Xinhua Mansion which was launched in Nanjing in late 2015. We plan to launch our 4.0 version products in 2018, which will be represented by our Passive House Landsea Le Mansion. For the year ended on December 31, 2017, we recorded approximately RMB32.1 billion (US\$4.7 billion) in contracted sales with GFA of approximately 1.6 million sq.m. under the brand “Product of Landsea”. In 2017, we launched our “Banyan Tree Scheme,” which focuses on offering comprehensive sub-brand systems including property financing, development and design, decoration, property and elderly care services in addition to our traditional residential development business. Leveraging our established market presence, we also launched long-term rental apartment projects in 2017, as part of our efforts to become a more asset-light business and further expand into the property rental market.

We place heavy emphasis on environmental protection and green construction, and are committed to delivering comfortable and eco-friendly residential properties to the market. We maintain a well-established green system throughout the cycle of our project development including green control, green construction, green procurement, and green assessment. See “— Our Property Development — Our Operations” in this offering memorandum. We believe our residential properties under our “Landsea” brand enjoy broad recognition among our customers, and “Landsea” has become one of the few brand names that are representative of eco-friendly building design and construction. We have, over the years, developed a technology system combining energy-saving and eco-friendly construction technologies and techniques designed to provide energy-saving and comfortable living experience to our customers.

The following diagram illustrates our typical design of a comfortable living environment:



We have adopted and implemented prudent business expansion and land acquisition strategies, and have built our land reserves in strategically important regions where our technologies can be widely applied under local climate conditions. As of December 31, 2017, we had a total of 77 projects in Nanjing, Shanghai, Suzhou, Wuxi, Hangzhou, Wuhan, Chengdu, Changsha, Hefei, Tianjin and the U.S. These projects amounted to approximately 12,865,868 sq.m. in total planned GFA, of which approximately 3,758,640 sq.m. were attributable to the Group. We believe that our land reserves currently being developed will be sufficient to meet our development needs for the near future.

Our land reserves as of the date of December 31, 2017 were located in the following cities or country:

<u>Location</u>	<u>Approximate Total GFA (sq.m.)</u>	<u>Approximate GFA Attributable to the Group⁽¹⁾ (sq.m.)</u>
Shanghai	376,248	352,360
Ma’anshan	330,339	—
Neijiang	255,343	—
Tianjing	299,236	162,373
Wuxi	1,411,511	342,603
Beijing	45,860	—
Chuangsha	245,541	2,455
Hefei	328,252	38,601
Chengdu	2,539,810	386,128
Xi’an	72,196	50,537
Hangzhou	605,811	419,236
Wuhan	366,061	50,936
Nanjing	2,389,844	524,982
Jinan	182,692	—
Chongqing	272,520	69,493
Tangshan	134,625	—
Xuzhou	433,637	—
Haining	84,266	67,413
Suzhou	741,633	328,679
Suqian	418,500	418,500
Changzhou	177,769	—
Zhenjiang	192,904	—
Zhangjiakou	128,446	—
Baoding	11,320	—
Yancheng	209,251	—
U.S.	612,253	544,344
Total	12,865,868	3,758,640

Note:

- (1) “Approximate GFA Attributable to the Group” means the approximate square meters in gross floor areas in which the Group held equity interest.

We intend to continue to expand our operations into new markets. We take into account a number of factors in selecting new markets for our expansion, such as economic growth, governmental policies and application of our technologies. We will also customize our product features according to local market conditions.

Historically, we have developed our property projects primarily through our wholly owned subsidiaries and joint ventures with third parties. When suitable opportunities arise, we may continue to enter into joint ventures with third parties including other property developers and real estate trusts or funds. We may enter into joint venture arrangements by forming new joint venture companies with third parties, securing shareholders’ loans from our joint venture partners, acquiring equity interests in third parties, or through other means. For example, we have launched our long-term rental apartment named “Landsea Apartment” in 2017, in various cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing and Suzhou in the PRC. As of December 31, 2017, we secured 55 projects with 526,000 sq.m. in these cities covering various locations including business district, high-tech industrial, campus areas and downtown and commercial districts. We also entered into a partnership agreement with Ping An Real Estate in early 2018 with the aim to cooperate with Ping An Real Estate and further expand into the long-term rental apartment market. See “— Recent Developments — Apartment Rental Project with Ping An Real Estate” for more details.

For the year ended December 31, 2017, our revenue was RMB6,213.9 million (US\$955.1 million), representing a significant increase in revenue of approximately 28.3% as compared with the year ended December 31, 2016. The revenue from our property and land sales, property development and management services, rental and management of investment property and decoration services was approximately RMB5,379.6 million (US\$826.9 million), RMB753.2 million (US\$115.8 million), RMB34.8 million (US\$5.3 million) and RMB46.3 million (US\$7.1 million), respectively. Our profit for the year ended December 31, 2017 amounted to approximately RMB720.8 million (US\$110.8 million), representing a increase of 18.8% as compared with the year ended December 31, 2016. For the year ended December 31, 2017, our total contracted sales from equity-held projects for property and land amounted to approximately RMB19,529.5 million (US\$3,001.6 million).

THE COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- leading position and well-known brand name of “Landsea” in China’s niche market of energy-saving, environmentally friendly and comfortable residential properties;
- advantageous position as the “green life pioneer” which may help us to benefit from strong government support;
- strategically located land bank catering to diversified customer base and strategic partnerships with other reputable property developers; and
- experienced management and research and development teams.

BUSINESS STRATEGIES

We intend to transform our business model to become a pioneer in property development business that is centered on the concept of “green life” by adopting the following business strategies.

- continue to strengthen our capabilities in adapting and offering diversified energy-saving technologies and products;
- continue to implement our asset-light strategy in our property development;
- expand our footprint to carefully selected locations and enhance our brand recognition;
- maximize sales and profit through continuous upgrades to our products;

- develop and build a network of quality and comprehensive senior care facilities; and
- maintain and continue to improve prudent financial management and risk control policies.

RECENT DEVELOPMENTS

Wuxi Xinghai Agreement

On August 2, 2017, Nanjing Langming Real Estate Group Limited (“Nanjing Langming”) entered into an agreement with Wuxi Xinghai Real Estate Development Co., Limited, (“Wuxi Xingtai”), Anhui Daily Newspaper Press Group and Ma An Shan Xingwen Real Estate Development Co., Limited (“Ma An Shan Xingwen”), pursuant to which Nanjing Langming has conditionally agreed to purchase 70% of the equity interest of Ma An Shan Xingwen from Wuxi Xinghai at a consideration of zero and Nanjing Langming has conditionally agreed to provide a shareholder loan of RMB280.0 million (US\$41.3 million) at an interest rate of 10% per annum to Ma An Shan Xingwen. Before the transaction, Ma An Shan Xingwen was 90% owned by Wuxi Xingtai and 10% owned by Anhui Daily Newspaper Press Group, respectively. Upon completion of the transaction, Ma An Shan Xingwen will be accounted as our associated company. After repayment of the shareholder loan by Ma An Shan Xingwen to Nanjing Langming, Nanjing Langming will retain the 70% equity in Ma An Shan Xingwen.

Hangzhou Langhui Agreement

On August 14, 2017, our indirect wholly-owned subsidiary, Hangzhou Langhui Investment Management Company Limited (“Hangzhou Langhui”), entered into an agreement with Hangzhou Hongcheng Investment Management Company Limited (“Hangzhou Hongcheng”), pursuant to which Hangzhou Langhui conditionally agreed to sell and assign 60% of the equity interest in Zhejiang Tianyuan Real Estate Development Company Limited and 60% of the outstanding shareholder loan owed by Zhejiang Tianyuan Real Estate Development Company Limited to Hangzhou Hongcheng at a total consideration of approximately RMB266.4 million (US\$39.3 million). As of the date of this offering memorandum, the transaction has been completed and Zhejiang Tianyuan Real Estate Development Company Limited is 60% owned by Hangzhou Hongcheng and 40% by Hangzhou Langhui and no longer our indirect wholly-owned subsidiary.

Wuhan Langheng Acquisition

On August 14, 2017, our wholly-owned subsidiary, Wuhan Langheng Enterprises Company Limited, participated in a public auction held by Wuhan Optics Valley United Property Rights Exchange for the proposed acquisition of 60% equity interest of Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited (“Xudong Company”) and a loan owed by Xudong Company to Hubei Supply and Marketing Minsheng Plaza Company Limited in the amount of approximately RMB685.8 million (US\$101.2 million), for a total consideration of RMB1,082.2 million (US\$159.6 million), and paid a transaction deposit of RMB120.0 and performance bond for the abovementioned loan upon registration. Our acquisition of the 60% equity interest of Xudong Company took place on September 19, 2017.

On September 18, 2017, Wuhan Langheng entered into an agreement with Wuhan Lihao Real Estate Development Company Limited (“Wuhan Lihao”) pursuant to which Wuhan Langheng agreed to purchase 20% equity interest of Xudong Company from Wuhan Lihao at a consideration of approximately RMB132.1 million (US\$19.5 million). Our acquisition of the 20% equity interest of Xudong Company took place on September 20, 2017.

We also held 20% equity interest in Xudong Company before the completion of the acquisitions. Xudong Company became our wholly-owned subsidiary on September 20, 2017.

Zhongfu Yiyang Agreement

On October 11, 2017, our indirect non-wholly owned subsidiary, Zhongfu Yiyang (Tianjin) Properties Company Limited (“Zhongfu Yiyang”), entered into an agreement with Tianjin Taihe Jinchuan Properties Company Limited (“Tianjin Taihe”) pursuant to which Zhongfu Yiyang agreed to use certain land use rights relating to a land parcel in Tianjin city, the PRC, and a construction project on the land, for a consideration of approximately RMB849.6 million (US\$125.3 million).

Tianjin Taihe will pay the consideration in three tranches, subject to certain conditions. Zhongfu Yiyang and Tianjin Taihe will complete the transfer of relevant land use rights and the construction project to Tianjin Taihe after the payment of the third tranche. Tianjin Taihe will procure Taihe Group Co., Ltd. to provide a guarantee in favor of a financial institution to be designated by Tianjin Taihe for financing to pay for part of the consideration. As of the date of this offering memorandum, the transaction contemplated under the agreement has not been completed.

Zhongbei Shengye Agreement

On November 29, 2017, our wholly-owned subsidiary, Nanjing Langming, entered into a cooperation agreement with Nanjing Zhongbei Shengye Properties Development Co. Ltd (“Zhongbei Shengye”), pursuant to which Zhongbei Shengye shall subscribe the additional registered capital of RMB7.5 million (US\$1.1 million) of Nanjing Xushenghui Corporate Management and Consulting Co., Ltd (“Nanjing Xushenghui”) and provide a shareholder loan of approximately RMB217.0 million (US\$32.0 million) to Nanjing Xushenghui as the working capital for the development of certain land parcels in Nanjing city, the PRC. Upon completion of the share capital increase, Nanjing Xushenghui will be 40% owned by Nanjing Langming and 60% owned by Zhongbei Shengye. We intend to develop suitable residential property projects with Zhongbei Shengye to further expand our property development business.

Shanghai Langqing Cooperation Agreement

On November 30, 2017, Shanghai Langqing Investment Management Fund (“Shanghai Langqing”), our wholly-owned subsidiary, entered into a cooperation agreement with Shenzhen Hengchuang Investment Management Limited (“Hengchuang Investment”) and Shanghai Zhujiu Enterprises Management Consulting Limited (“Shanghai Zhujiu”), pursuant to which Shanghai Langqing conditionally agreed to transfer to Hengchuang Investment a 50% equity interest of Shanghai Zhujiu at a consideration of RMB1, while Shanghai Langqing and Hengchuang Investment will make payment for their respective subscription capital in Shanghai Zhujiu of RMB5.0 million each. The parties agreed to acquire the entire equity interest in a PRC company, which held certain land parcels in Shanghai Pudong New District, pursuant to the terms agreed by Shanghai Langqing and Hengchuang Investment through Shanghai Zhujiu, the consideration for which will be satisfied by a shareholder loan to be provided by Shanghai Langqing and Hengchuang Investment in the amount of RMB250.0 million (US\$36.9 million) each to Shanghai Zhujiu.

Guangzhou Langxiu Agreements

On December 18, 2017, Guangzhou Langxiu Corporate Management Consulting Limited, our wholly-owned subsidiary, entered into an agreement with Jianzhao Company Limited and Hanguo Properties (Shenzhen) Company Limited, pursuant to which Guangzhou Langxiu conditionally agreed to acquire the entire equity interest of Guangzhou Jianzhao Properties Company Limited from Jianzhao Company Limited I at a consideration of RMB230.0 million (US\$33.9 million), and Guangzhou Langxiu conditionally agreed to accept the assignment of a loan owed by Guangzhou Jianzhao Properties Company Limited to Hanguo Properties (Shenzhen) Company Limited at a consideration of RMB30.0 million (US\$4.4 million).

Guangzhou Langxiu will pay the considerations for the equity interest and the loan in stages. Under the agreement, we acquired the relevant interest in Guangzhou Jianzhao Properties Company Limited and will develop certain properties located in Guangzhou province, the PRC for long-term rental apartments.

Limited Partnership Agreement with Zhongcheng

On December 25, 2017, two of our wholly-owned subsidiaries, Nanjing Langming and Shanghai Langqing Investment Management Limited (“Shanghai Langqing”), entered into a limited partnership agreement with Shanghai Zhongcheng Era Equity Investment Fund Management (“Zhongcheng Era”) and Zhongcheng Yongyi Investment Center (Limited Partnership) (“Zhongcheng Yongyi”), pursuant to which the parties shall make capital contributions to Shanghai Zhongcheng Qiannian Investment Centre (Limited Partnership) (“Zhongcheng Fund”). Zhongcheng Era and Shanghai Langqing are general partners and each subscribed RMB1.0 million, (US\$0.2 million), representing approximately 0.2% of the

Zhongcheng Fund, while Nanjing Langming and Zhongcheng Yongyi are limited partners and each subscribed RMB335.0 million (US\$51.5 million), representing approximately 49.9% of the Zhongcheng Fund. Our total equity interest in Zhongcheng Fund amounted to 50.0% and our investment under the agreement accounted as our joint venture.

On the same day, Nanjing Langming and Nanjing Xubohui Corporate Consulting Management Company Limited (“Nanjing Xubohui”), two of our wholly-owned subsidiaries, entered into a cooperation framework agreement with Hefei Wanxin Landsea Cultural Investment Company Limited (“Hefei Wanxin”) and Zhongcheng Fund, pursuant to which Nanjing Xubohui agreed to sell 48% of the equity interest of Hefei Wanxin to Zhongcheng Fund at a consideration of approximately RMB24.9 million (US\$3.7 million), and Nanjing Xubohui agreed to assign a loan owed by Hefei Wanxin to Nanjing Xubohui at a consideration of approximately RMB629.3 million (US\$92.8 million), and Zhongcheng Fund agreed to provide a shareholder loan of no more than approximately RMB17.8 million (US\$2.6 million) to Nanjing Langming at an interest rate of 8% per annum.

As of the date of this offering memorandum, the transactions contemplated under the cooperation framework have been completed. Zhongcheng Fund has paid the consideration in the amount of approximately RMB24.9 million (US\$3.7 million) for the assignment of the loan owed by Hefei Wanxin to Nanjing Xubohui. Under the cooperation framework, 51%, 1% and 49% of Hefei Wanxin will be held by Wanxin Cultural Industry Investment Group Limited, Nanjing Xubohui and Zhongcheng Fund, respectively. Zhongcheng Fund is intended to be used to invest in high quality real estate projects and its term is ten years from the date of the issuance of its business license.

Sichuan BRC Agreements

On December 27, 2017, Nanjing Langqing Property Co., Ltd. (“Nanjing Langqing”) our indirect wholly-owned subsidiary, another of our indirect wholly-owned subsidiary (“Project Company I”) and Sichuan BRC Hejun Industrial Co., Ltd. (“Sichuan BRC”) entered into an equity transfer agreement, pursuant to which Nanjing Langqing and Sichuan BRC agreed to jointly develop a real estate project involving land parcels located at Susu industrial Park, Suqian city, the PRC, which were held by Project Company I, of which Nanjing Langqing conditionally agreed to sell 60% of the equity interest of Project Company I to Sichuan BRC at the consideration of approximately RMB129.6 million (US\$19.1 million), and Sichuan BRC conditionally agreed to provide a shareholder loan of approximately RMB7.8 million (US\$1.1 million).

On the same day, Nanjing Langqing, another of our indirect wholly owned subsidiary (“Project Company II”) and Sichuan BRC entered into another equity transfer agreement, pursuant to which Nanjing Langqing and Sichuan BRC agreed to jointly develop a real estate project involving land parcels at Susu Industrial Park, Suqian city, the PRC, held by Project Company II, of which Nanjing Langqing conditionally to sell 60% of the equity interest of Project Company II at the consideration of approximately RMB111.4 million (US\$16.5 million).

Jiaxing Langda LP and Xudong Company

On December 28, 2017, two of our wholly-owned subsidiaries, Nanjing Langming Shanghai Langqing, entered into a limited partnership agreement with Tianjing Langxin Investment Management Limited (“Langxin Capital”) and Xinda Investment Company Limited (“Xinda Investment”), pursuant to which the parties agreed to set up Jiaxing Langda LP. Nanjing Langming and Xinda Investment will be the limited partners of Jiaxing Langda LP which will subscribe 30% and 70 of the capital of Jiaxing Langda LP, respectively, while Langxin Capital will be the general partner of Jiaxing Langda LP, which will subscribe RMB1.0 million (US\$0.1 million). Shanghai Langqing will be the administrator of Jiaxing Langda LP.

On the same day, Wuhan Langheng Enterprise Company Limited (“Wuhan Langheng”), our wholly-owned subsidiary, entered into an agreement with Jiaxing Langda LP and Xudong Company, pursuant to which Wuhan Langheng agreed to sell 99.9% of its equity interest in Xudong Company at a consideration of RMB660.0 million (US\$97.4 million). Jianguang Langda LP will also provide a shareholder loan of RMB461.0 million (US\$68.0 million) to Xudong Company for a term of no more than three years.

Jiaying Langda LP will mainly invest in high quality real estate projects and will develop a property project involving land parcels in Xudong Village, Hongshan District, Wuhan Province, the PRC, with a site area of approximately 32,273 sq.m. and a construction area of approximately 130,529 sq.m., which belonged to Xudong Company.

The completion has taken place after the Administration of Industry and Commerce of the PRC has accepted the application for registration of transfer of the equity of Xudong Company to Jiaying Langda LP. As of the date of this offering memorandum, the transaction contemplated by the agreement has taken place. Xudong Company has ceased to be our indirect wholly-owned subsidiary, and is held 99.9% by Jiaying Langda LP and 0.1% by Whan Langheng.

Suzhou Langkun Loans

On December 29, 2017, Suzhou Langkun Properties Company Limited (“Suzhou Langkun”), our non-wholly owned subsidiary, entered into two loan agreements with Jiangsu Guotai Huading Investment Company Limited (“Jiangsu Huading”) and Jiangsu Guotai Zijin Technology Development Company Limited (“Jiangsu Zijin”), respectively. Pursuant to the loan agreements, Suzhou Langkun will lend a loan of approximately RMB285.8 million (US\$42.2 million) to each of Jiangsu Huading and Jiangsu Zijin for a period of one year from December 31, 2017, at the annual interest rate of 4.35%. We intend to jointly develop property projects in Jiangsu province with Jiangsu Huading and Jiangsu Zijin through Suzhou Langkun.

Apartment Rental Project with Ping An Real Estate

On January 10, 2018, we entered into a strategic cooperation agreement with Ping An Real Estate Company Ltd. (“Ping An Real Estate”) pursuant to which the parties will jointly invest in long-term rental apartment projects in certain first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen and certain second-tier cities including Nanjing, Hangzhou and Wuhan in the next three years, with a target fund asset management scale of approximately RMB10,000.0 million (US\$1,475.1 million).

We and Ping An Real Estate agreed to entrust the projects acquired under this strategic cooperation framework to us for long-term rental apartment operations and management. The relevant portion of the target fund for each acquired project will terminate after the relevant project is under steady operation by us.

Transfer Agreement with CITIC Capital and Pingan Heding

On February 7, 2018, two of our wholly-owned subsidiaries, Shanghai Langqing Investment Management Limited (“Shanghai Langqing”) and Nanjing Langming, entered into a transfer agreement with CITIC Capital Holdings Limited (“CITIC Capital”) and Shanghai Pingan Heding Investment & Management Co., Ltd. (“Pingan Heding”), pursuant to which CITIC Capital conditionally agreed to sell the entire property share of general partner of Shanghai Rui Kai Investment Partnership (“Rui Kai Partnership”) at the consideration of RMB10,000.0 (US\$1,475.1) to Shanghai Langqing, and Pingan Heding conditionally agreed to sell the entire property share of limited partner of the Rui Kai Partnership at the consideration of RMB221.0 million (US\$32.6 million) to Nanjing Langming. The Rui Kai Partnership holds 100% equity interest in Best Benefit Limited, which in turn, holds 61.54% equity interest of Silver Knight Global Limited, a joint venture of ours. Silver Knight, through its wholly-owned subsidiaries, holds and re-develops certain residential units, car parks and public facilities in Shanghai for a total gross floor area of 15,787 sq.m.

Services Agreements with Landleaf Architecture Technology

On February 13, 2018, we entered into a services agreement with Shanghai Landleaf Architecture Technology Co., Ltd. (“Landleaf Architecture Technology”), pursuant to which Landleaf Architecture Technology will provide services to us and our subsidiaries. On the same date, we entered into a decoration services agreement with Landsea Group, pursuant to which we and our subsidiaries will entrust Landsea Group or its subsidiaries for the provision of the decoration services as provided under the agreement.

Mr. Tian Ming, who is our Chairman and Executive Director, is the ultimate controller of Landleaf Architecture Technology. The payment terms under the two agreements will be based on normal commercial terms. The services agreement with has an annual cap of RMB70.0 million (US\$10.8 million), RMB50.0 million (US\$7.7 million) and RMB50.0 million (US\$7.7 million) for the years ending on December 31, 2018, 2019 and 2020, respectively. The decoration services agreement has an annual cap of RMB20.0 million (US\$3.1 million) for each of the years ending on December 31, 2018, 2019 and 2020.

GENERAL INFORMATION

We were incorporated in Bermuda as an exempted company with limited liability on May 30, 1990. We changed our name from Landsea Green Properties Co., Ltd. 朗詩綠色地產有限公司 to Landsea Green Group Co., Ltd. 朗詩綠色集團有限公司 with effect from March 2, 2018. Our shares have been listed on The Hong Kong Stock Exchange (stock code: 106) since March 26, 1986. Our head office and our principal place of business is Unit 5103, 51/F, The Center, 99 Queen's Road, Central, Hong Kong. Our registered office is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. Our website is www.landsea.hk. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering memorandum. See “Description of the Notes.” Terms used in this summary and not defined shall have the same meanings given to them in “Description of the Notes.”

Issuer	Landsea Green Group Co., Ltd.
Notes Offered	US\$150,000,000 aggregate principal amount of 9.625% Senior Notes due 2020 (the “Notes”).
Offering Price	99.556% of the principal amount of the Notes.
Issue Date of the Notes	April 25, 2018 (the “Original Issue Date”).
Maturity Date	April 25, 2020.
Interest	The Notes bear interest from and including April 25, 2018 at the rate of 9.625% per annum, payable semi-annually in arrears.
Interest Payment Dates	April 25 and October 25 of each year, commencing October 25, 2018.
Ranking of the Notes	<p>The Notes are:</p> <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);• Guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under “Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees”;• effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Subsidiary Guarantees and JV Subsidiary Guarantees	Each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee (if any) given by a JV Subsidiary Guarantor may be released in certain circumstances. See “Description of the Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

As of the Original Issue Date, the initial Subsidiary Guarantors will consist of all of the Company’s Restricted Subsidiaries other than (i) the PRC Restricted Subsidiaries, (ii) the U.S. Restricted Subsidiaries and (iii) Silver Knight Global Limited, Harvest Years Limited and Asia Pacific Business Link Limited. See “Description of the Notes.” All of the Subsidiary Guarantors are holding companies that do not have significant operations.

Any future Restricted Subsidiary (other than any PRC Restricted Subsidiaries, any Exempted Subsidiaries or any Listed Subsidiaries) will provide a guarantee of the Notes promptly and in any event within 30 days of becoming a Restricted Subsidiary.

Notwithstanding the foregoing, the Company may elect to have (x) any existing or future Restricted Subsidiary organized outside the PRC or (y) as soon as practicable after an Exempted Subsidiary or a Listed Subsidiary ceases to be an Exempted Subsidiary or a Listed Subsidiary, such Exempted Subsidiary or Listed Subsidiary, not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (the “New Non-Guarantor Subsidiaries”), provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, (i) the Consolidated Assets of all U.S. Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiaries) do not account for more than 35.0% of Total Assets and (ii) the Consolidated Assets of all Other Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiaries) do not account for more than 10.0% of Total Assets.

If, at any time, the Consolidated Assets of (x) all U.S. Non-Guarantor Subsidiaries exceed 35.0% of Total Assets or (y) all Other Non-Guarantor Subsidiaries exceed 10.0% of Total Assets, the Company must promptly (i) remove the designation of one or more Non-Guarantor Subsidiaries and cause such Non-Guarantor Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Non-Guarantor Subsidiaries will Guarantee the payment of the Notes with a Subsidiary Guarantee or JV Subsidiary Guarantee, (ii) designate one or more Non-Guarantor Subsidiaries as Unrestricted Subsidiaries and/or (iii) cause one or more Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favorable to the Company in accordance with the terms of the Indenture and such that the Consolidated Assets of (1) all U.S. Non-Guarantor Subsidiaries no longer exceed 35.0% of Total Assets and (2) all Other Non-Guarantor Subsidiaries no longer exceed 10.0% of Total Assets. Such removal of designation as a Non-Guarantor Subsidiary, designation as an Unrestricted Subsidiary and/or payment of dividends or distributions, as the case may be, must be made as soon as practicable, and in any event no later than 30 days, after the date any consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) which show that the Consolidated Assets of (1) all U.S. Non-Guarantor Subsidiaries exceed 35.0% of Total Assets or (2) all Other Non-Guarantor Subsidiaries exceed 10.0% of Total Assets.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary, (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity, is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee.

**Ranking of Subsidiary
Guarantees**

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

See “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Ranking of JV Subsidiary Guarantees

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

See “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Use of Proceeds

The net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses, will be approximately US\$147.0 million. We intend to use the net proceeds and in accordance with our Green Bond Framework

Optional Redemption

The Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price equal to 109.625% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Repurchase of Notes Upon a Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date. See “Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event.”

Withholding Taxes, Additional Amounts

All payments of principal of, and premium (if any) and interest in respect of the Notes or the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any Relevant Jurisdiction (as defined in “Description of the Notes”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, holders of the Notes will receive Additional Amounts (subject to certain exceptions) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required. See “Description of the Notes — Additional Amounts.”

Redemption for Taxation Reasons

Subject to certain exceptions and as more fully described in “Description of the Notes — Redemption for Taxation Reasons,” the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes — Redemption for Taxation Reasons.”

Covenants

The Indenture will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

- incur or guarantee certain additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified Restricted Payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of the Company or Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants.”

Ratings

The Notes are expected to be rated “B3” by Moody’s, “B-” by S&P and “B” by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.

Transfer Restrictions

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered and sold in offshore transactions in compliance with Regulation S under the Securities Act, and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”

Form, Denomination and Registration

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

Book-Entry Only

The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”

Delivery of the Notes

The Company expects to make delivery of the Notes against payment in same-day funds on or about April 25, 2018, which the Company expects will be the three business day following the date of this offering memorandum referred to as “T+3.” You should note that initial trading of the Notes may be affected by the “T+3” settlement. See “Plan of Distribution”.

Trustee

DB Trustees (Hong Kong) Limited.

Paying Agent, Transfer Agent and Registrar

Deutsche Bank AG, Hong Kong Branch.

Listing and trading

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

Governing Law

The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture governing the Notes are governed by and will be construed in accordance with the laws of the State of New York.

Risk Factors

For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors”.

ISIN/Common Code

ISIN: XS1807156499; Common Code: 180715649.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017. The summary consolidated statement of comprehensive income for the years ended December 31, 2015 and 2016 and the summary consolidated statement of financial position as of December 31, 2015 and 2016 set forth below (except for EBITDA data) have been derived from the audited consolidated financial statements as of and for the year ended December 31, 2016, which have been audited by PricewaterhouseCoopers, our current independent auditors. The comparative financial information of the Group for the year ended December 31, 2015 as included in the annual report for the year ended December 31, 2016 were restated, which were neither audited nor reviewed by PricewaterhouseCoopers. The audited consolidated financial statements of the Group for the year ended December 31, 2015 contain original financial information, which are not comparable with the comparative financial information for the year ended December 31, 2015 as included in the annual report for the year ended December 31, 2016. The summary consolidated statement of comprehensive income for the year ended December 31, 2017 and the summary consolidated statement of financial position as of December 31, 2017 (except for EBITDA data) set forth below have been derived from our audited consolidated financial statements as of and for the year ended December 31, 2017, which have been audited by PricewaterhouseCoopers, our current independent auditors and included elsewhere in this offering memorandum.

Our consolidated financial information included in this offering memorandum has been prepared in accordance with HKFRS. The information set out below (except for EBITDA data) should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary consolidated statement of comprehensive income and other financial data

	For the year ended December 31,			
	2015 (RMB'000) (Restated) ⁽¹⁾	2016 (RMB'000) ⁽¹⁾	2017 (RMB'000)	2017 (US\$'000) (Unaudited)
Revenue	1,792,791	4,845,008	6,213,931	955,064
Cost of sales and services	<u>(1,034,158)</u>	<u>(4,086,294)</u>	<u>(4,690,410)</u>	<u>(720,903)</u>
Gross profit	758,633	758,714	1,523,521	234,161
Other income	34,410	142,681	150,704	23,163
Selling expenses	(73,418)	(90,115)	(119,889)	(18,427)
Administrative expenses	(109,698)	(288,754)	(420,235)	(64,589)
Fair value gain on investment properties	44,047	41,750	28,910	4,443
Other gains/(losses), net	<u>81,459</u>	<u>392,258</u>	<u>11,991</u>	<u>1,843</u>
Operating profit	735,433	956,534	1,175,002	180,595
Finance costs, net	(49,913)	(194,085)	(238,925)	(36,722)
Share of losses of associated companies	(11,085)	45,088	169,453	26,044
Share of loss of a joint venture	<u>(10,445)</u>	<u>24,930</u>	<u>21,881</u>	<u>3,363</u>
Profit before income tax	663,990	832,467	1,127,411	169,451
Income tax expense	<u>(184,261)</u>	<u>(225,631)</u>	<u>(406,570)</u>	<u>(61,108)</u>
Profit for the year	<u>479,729</u>	<u>606,836</u>	<u>720,841</u>	<u>108,343</u>
Other comprehensive (loss)/income:				
Translation differences which may not be subsequently recycled to profit or loss	(142,446)	(122,282)	145,300	21,839
Other comprehensive (loss)/income for the year, net of tax	<u>(142,446)</u>	<u>(122,282)</u>	<u>145,300</u>	<u>21,839</u>
Total comprehensive income for the year	<u>337,283</u>	<u>484,554</u>	<u>866,141</u>	<u>130,182</u>
Profit for the year attributable to:				
The shareholders of the Company	485,079	595,439	580,523	87,253
Non-controlling interests	<u>(5,350)</u>	<u>11,397</u>	<u>140,318</u>	<u>21,090</u>
	<u>479,729</u>	<u>606,836</u>	<u>720,841</u>	<u>108,343</u>
Other financial data				
EBITDA ⁽²⁾	681,670	848,170	1,552,018	234,712
EBITDA margin ⁽³⁾	38.0%	17.5%	25.0%	25.0%

Notes:

- (1) We acquired the entire interest in Epic China Limited from a shareholder on January 29, 2016 at a consideration of RMB718,940,633. One of our wholly owned subsidiaries, Shanghai GR and Management Co., Ltd., acquired the entire interest of Shanghai Landsea Planning and Architectural Design Co., Ltd. from a fellow subsidiary on January 29, 2016 for an aggregation consideration of RMB19,500,000. These acquisitions are considered as a business combination involving entities under common control and have been accounted for by using merger accounting method and as a result, the consolidated statement of comprehensive income for the year ended December 31, 2015 was restated in the audited consolidated financial statements as of and for the year ended December 31, 2016 to include the results of the combining entities during that period. The audited consolidated financial statements as of and for the year ended December 31, 2016 include the results of the acquired entities during that period as if the business combination under common control had occurred at the beginning of previous balance sheet date. For more information, see Note 2 to our consolidated financial statements as of and for the year ended December 31, 2016 included in this offering memorandum.
- (2) EBITDA for any year refers to profit for the year before income tax expense, finance costs, interest expense previously capitalized, net exchange gains/(losses), fair value gain on investment properties, gain on disposal of subsidiary/joint venture and depreciation. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. For more details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures."
- (3) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant year, expressed as a percentage.

Summary consolidated statement of financial position

	As at December 31,			
	2015	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	(Restated) ⁽¹⁾			(Unaudited)
Non-current Assets				
Investment property	249,170	290,920	319,830	49,157
Property, plant and equipment	13,919	21,070	656,245	100,863
Interests in associates	2,218,144	744,099	983,077	151,096
Interests in joint ventures	695,370	448,646	1,885,436	289,786
Other receivables, prepayments and deposits	81,783	425,516	181,826	27,946
Amounts due from related parties	—	—	1,370,535	210,647
Deferred tax assets	86,633	153,609	237,735	36,539
Goodwill	9,460	9,460	9,460	1,454
	<u>3,354,479</u>	<u>2,093,320</u>	<u>5,644,144</u>	<u>867,489</u>
Current assets				
Properties held for sale	172,840	395,323	847,831	130,309
Properties under development	7,986,633	10,379,261	6,658,882	1,023,451
Inventories	7,123	23,501	52,069	8,003
Deposits for purchase of land	729,300	42,000	212,125	32,603
Trade receivables	95,404	233,270	629,462	96,747
Other receivables, prepayments and deposits	265,059	328,934	381,341	58,611
Amount due from related parties	—	818,271	1,559,826	239,741
Amounts due from non-controlling interests	—	558,000	571,500	87,838
Prepaid taxes	140,955	158,394	139,534	21,446
Restricted cash	126,854	215,722	281,952	43,335
Cash and cash equivalents	<u>1,262,269</u>	<u>2,761,130</u>	<u>3,341,835</u>	<u>513,631</u>
	<u>10,786,437</u>	<u>15,913,806</u>	<u>14,676,357</u>	<u>2,255,715</u>
Total Assets	<u>14,140,916</u>	<u>18,007,126</u>	<u>20,320,501</u>	<u>3,123,204</u>
Current liabilities				
Creditors and accruals	783,489	1,367,759	2,001,908	307,688
Advanced proceeds received from customers	2,981,820	4,924,805	4,051,066	622,637
Amounts due to non-controlling interests	45,014	—	18,110	2,783
Amounts due to related parties	1,237,980	325,360	2,044,080	314,169
Borrowings	1,111,117	1,267,990	2,174,458	334,208
Taxation payable	205,685	201,691	270,499	41,575
	<u>6,365,105</u>	<u>8,087,605</u>	<u>10,560,121</u>	<u>1,623,061</u>
Non-current liabilities				
Borrowings	5,775,239	4,815,351	3,254,957	500,278
Deferred tax liabilities	42,413	52,850	75,537	11,610
Amounts due to related parties	—	1,787,112	2,714,606	417,227
Amounts due to non-controlling interests	—	211,492	17,217	2,646
	<u>5,817,652</u>	<u>6,866,805</u>	<u>6,062,317</u>	<u>931,761</u>
Total Liabilities	<u>12,182,757</u>	<u>14,954,410</u>	<u>16,622,438</u>	<u>2,554,822</u>
Equity				
Capital and reserves attributable to the shareholders of the Company				
Share capital	26,665	31,800	31,800	4,888
Convertible perpetual securities	110,054	484,204	495,425	76,145
Reserves	<u>1,781,230</u>	<u>2,384,652</u>	<u>2,964,716</u>	<u>455,669</u>
Non-controlling interests	40,210	152,060	206,122	31,680
	<u>1,958,159</u>	<u>3,052,716</u>	<u>3,698,063</u>	<u>568,382</u>
Total equity	<u>1,958,159</u>	<u>3,052,716</u>	<u>3,698,063</u>	<u>568,382</u>
Total Liabilities and Equity	<u>14,140,916</u>	<u>18,007,126</u>	<u>20,320,501</u>	<u>3,123,204</u>

Note:

- (1) We acquired the entire interest in Epic China Limited from a shareholder on January 29, 2016 at a consideration of RMB718,940,633. One of our wholly-owned subsidiaries, Shanghai GR and Management Co., Ltd., acquired the entire interest of Shanghai Landsea Planning and Architectural Design Co., Ltd. from a fellow subsidiary on January 29, 2016 for an aggregate consideration of RMB19,500,000. The acquisitions are considered as a business combination involving entities under common control and have been accounted for by using merger accounting method and as a result, the consolidated statement of financial position as of December 31, 2015 was restated in the annual report for the year ended December 31, 2016 to include the financial position of the combining entities as of December 31, 2015. For more information, please refer to Note 2 of our consolidated financial statements as of and for the year ended December 31, 2016.

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before investing in the Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business and revenue growth are dependent on favourable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which we develop our property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our business, results of operations and financial condition

Our business and revenue growth is subject to favourable economic conditions in the PRC, particularly in the cities in the Yangtze River Delta where our property projects are located. As we focus on the development of residential developments in the PRC, if the property market, in particular the residential property market, in the PRC performed badly, it would have a direct adverse effect on us.

The PRC property market is affected by many factors, including changes in the PRC's social, political, economic and legal environments, changes in the PRC government's fiscal and monetary policy, the lack of a mature and active secondary market for residential properties and the limited availability of mortgage loans to individuals in the PRC. We are also sensitive to changes in the economic conditions, consumer confidence, consumer spending and customer preferences of the urban Chinese population. Other factors beyond our control, such as levels of personal disposable income, may also affect consumer confidence in our geographical markets and demand for our properties.

Demand for residential properties in the PRC has been growing rapidly over the past few years. However, such growth is often coupled with volatility in market conditions and fluctuations in housing prices. There have been concerns that the PRC property market has been overheating and may become a property "bubble." In response, the PRC government has taken measures to prevent the overheating of the PRC property market. Such measures may lead to changes in market conditions, price instability and an imbalance between the supply of and demand for properties in the PRC.

We cannot assure you that the PRC residential property market and housing prices will continue to grow at past levels or will not decline. Any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our business, results of operations and financial condition.

We face risks relating to the use or application of eco-friendly technologies, which may delay our design and on-site work progress and increase our costs

We have deployed a number of new eco-friendly, energy-saving technologies and have integrated them into our projects. As the deployment of these new eco-friendly technologies has a short history, and as these new eco-friendly technologies are in the relatively early stage of their adaptation to the current building environment, construction skills and materials and their application involves other new technical know-how, there are risks associated with the process of implementing these new eco-friendly technologies.

The scope of the laws and regulations on construction techniques changes with the development of the PRC economy and technical level of the construction industry. New laws and regulations governing the construction industry, particularly the green building segment, are normally examined and interpreted in the course of their implementation and such examinations and interpretations become effective stage by stage. The progress of our design and construction work may be delayed due to our

failure to comply with such new laws and regulations, owing to their ambiguity and lack of clear interpretations during the initial stage of enforcement. On the other hand, to meet the requirement of these new laws and regulations, the original plans for our work progress and purchase may need to be adjusted. These adjustments may increase our development costs and cause further delays to our construction work.

Further, we specialise in developing comfortable and eco-friendly properties in the PRC, while the concept of eco-friendly and sustainable development is relatively new in the PRC property market. As it takes time for the market to grow and mature, we cannot guarantee that there will be sustained demand for our properties in the market.

We may not be able to identify suitable land or acquire land use rights for future development at reasonable prices, or at all, and as a result, our business, results of operations and financial condition as well as prospects may be materially and adversely affected

We expect to derive substantially all of our revenue from the sale of properties that we developed. We must continuously acquire land use rights for sites suitable for future development at reasonable prices at an appropriate pace in order to generate sustainable revenue and maintain business growth. There is a limited supply of suitable land available for development in the cities or regions into which we plan to expand, and the costs of acquiring land use rights in many such cities have increased in recent years. We also face strong competition from other property developers for sites that we may target. We cannot assure you that we will be able to successfully acquire any or all of the land use rights for projects planned for future development at reasonable prices, or at all.

The PRC government has control over the supply of substantially all land and their approved usage, and regulates various aspects of the process through which land is acquired and developed. Such PRC government land policies have a direct impact on our ability to acquire land and our costs of acquisition. Any changes in PRC government land policies with regard to land supply and development may lead to increases in our costs of acquisition and limit our ability to successfully acquire land at reasonable prices, which would have a material adverse effect on our business, results of operations and financial condition. The various PRC regulatory measures may also intensify the competition for land in the PRC among property developers. Please refer to the section headed “— Risks relating to our industry — Our operations are subject to extensive governmental regulations and the frequent introduction of new regulations, and we may be affected by further measures by the PRC government to slow down the growth of the property sector” in this offering memorandum for further details.

If we fail to acquire land use rights for sites suitable for development in a timely manner, at reasonable prices or at all, or if further changes in government policies with regard to land supply and development lead to increases in our costs of acquisition, our business, results of operations and financial condition as well as prospects may be materially and adversely affected.

We may not be able to realize the anticipated economic and other benefits from our joint ventures, and disputes with joint venture partners or any violation of PRC laws by our joint ventures may adversely affect our business, results of operations and financial condition

We have entered into joint ventures with other property developers to develop projects and may continue to do so in the future. We have limited experience in developing projects through joint ventures or in managing joint ventures and relationships with joint venture partners. The success of a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures. For the years ended December 31, 2015, 2016 and 2017, revenue from our joint ventures amounted to RMB110.3 million, RMB187.8 million and RMB422.0 million (US\$64.9 million), respectively. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint ventures. Joint ventures may involve risks associated with, among others, the possibility that our joint venture partners may:

- have economic or business interests or goals inconsistent with ours;
- take actions contrary to our instructions, requests or our policies or objectives;

- be unable or unwilling to fulfil their obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

In addition, since we do not have full control over the business and operations of our joint ventures, we cannot assure you that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint ventures or our joint ventures will not violate applicable PRC laws and regulations, which may have an adverse effect on our business, results of operations and financial condition.

We rely on our external contractors for all of our construction works and if any of these contractors fail to deliver satisfactory services, our reputation, business, results of operations and financial condition may be materially and adversely affected

We outsource construction works of all our projects to external contractors. Such works include, among other things, foundation digging, general construction and installation of equipment. We consider a wide range of factors when selecting a contractor. We cannot assure you that any such external contractor will provide satisfactory services at the required quality level. If the performance of any external contractor is unsatisfactory, we may need to replace the external contractor or take other actions to remedy the situation, which may have a material adverse effect on the cost and construction progress of our projects.

In accordance with applicable PRC laws and regulations, we provide warranties on the quality of properties we construct or sell to our customers. We receive quality warranties from third-party contractors we engage to construct our development projects. If claims are brought against us under our warranties, and if the relevant third-party contractor fails to indemnify us for such claims in a timely manner or at all, or the indemnity provided is not sufficient, we could incur significant expenses to resolve such claims or face delays in rectifying such defects. The occurrence of these events may harm our reputation and have a material adverse effect on our business, results of operations and financial condition.

Furthermore, our external contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or increase our project development costs. The occurrence of any of the above events may have a material adverse effect on our reputation, business, results of operations and financial condition.

Our results of operations are largely dependent on the development schedules and pre-sales of our projects and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance

Since we expect to derive our revenue primarily from the sale of properties developed by us, our future cash flows and revenue are heavily affected by the schedule of pre-sale and sale of our properties.

Our results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. For the year ended December 31, 2017, our revenue was RMB6,213.9 million; our net profit attributable to our equity holders was RMB720.8 million. Our results of operations may vary in the future due to various factors, including the overall development and delivery schedule of our property projects, the level of acceptance by our customers of our properties, the timing of the pre-sale and sale of properties, our revenue recognition policies, any changes in our development costs and expenses and the general condition of the property market. Our property developments are often developed in multiple phases over the course of several years. According to our revenue recognition policy, we recognise revenue from sales of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the completion of construction works. Periods in which we pre-sell a large amount of aggregate GFA may not be periods in which we generate a correspondingly high level of revenue, if the properties are not completed and delivered within the same period. Our revenue and profit for any period may decrease if the number of properties we deliver declines during such period. The effect of timing of delivery on

our results of operation is accentuated by the fact that we can only undertake a limited number of projects at a particular time, as we require substantial capital to fund land acquisition and construction costs.

Accordingly, our results of operations for any given period may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during such period. Our revenue and profit during any given period generally reflect property purchases at a time in the past, typically in the prior fiscal period. Accordingly, our results of operations are not necessarily indicative of results that may be expected for any future period. Furthermore, our interim results may not be indicative of our annual results.

We may not be successful in managing our expansion into new geographical areas or new markets, and as a result our business, results of operation and financial condition may be materially and adversely affected

We have focused primarily on the development of eco-friendly residential properties in cities in the Yangtze River Delta region and expanded into certain tier-one cities in the U.S. We intend to gradually expand our operations into the northern and southern regions of China and further expand our geographical coverage in China and the U.S.. In addition, we intend to focus our expansion in first-time home buyer products.

Expanding into new geographical locations involves uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behaviour, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies. In addition, expanding our business into new geographical locations would entail competition with developers who may have a better-established local presence or greater access to local expertise and knowledge than we do. As we may face challenges not previously encountered, we may fail to recognise or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in these new markets. For example, we may have difficulty in accurately predicting market demand for our properties in the cities into which we expand. In addition, expanding into new geographic locations requires a significant amount of capital and management resources. We will also need to manage the growth in our workforce to match the expansion of our business. Any of these factors could have a material adverse effect on our business, results of operations, financial conditions as well as prospects.

When we enter into new markets, we may face intense competition from developers with experience or established presence in the segments that we plan to expand into and from other developers with similar expansion plans. Further, if we fail to integrate the new businesses effectively, our operating efficiency may be adversely affected. Our failure to manage any planned expansion into new markets may have a material adverse effect on our business, financial condition and results of operations.

Any deterioration in our brand image and failure to protect the intellectual property rights by us, including trademarks, patents and copyrights, could have a negative impact on our business

We rely on our reputation and brand image to attract potential customers. Reputation and brand image are based largely on consumer perceptions with a variety of subjective qualities and can be damaged by isolated business incidents that degrade consumer confidence. Any negative incident or negative publicity concerning us or our properties, whether accurate or not, may damage our reputation and have a material adverse effect on our business, results of operations and financial condition. In addition, any inaccurate or negative media reports may require us to engage in defensive actions, which may divert our management's attention and adversely affect our business and results of operations. We cannot assure you that there will not be any other false, inaccurate or negative media reports about us or our projects in the future.

In addition, we believe the intellectual property rights we use are critical to our success and in our provision of comfortable and eco-friendly properties. The trademarks and domain names we use are owned by wholly-owned subsidiaries of our controlling shareholder, Landsea Group Co., Ltd. We are authorized to use such intellectual property rights by their respective owners. Historically, the PRC has not protected intellectual property rights to the same extent as certain other countries, and infringement

of intellectual property rights continues to pose a serious risk of doing business in the PRC. Monitoring and preventing unauthorised use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in the PRC and abroad is uncertain and evolving. If the intellectual property rights we use are unable to be adequately protected or their owners terminate the authorizations, we may lose the rights to continue to use these intellectual property rights and our business may suffer materially.

The interest of our controlling shareholder may not be aligned with those of us, our other shareholders and holders of the Notes

Landsea Group Co., Ltd. is our controlling shareholder and has approximately 54.71% of our total number of issued shares as of March 21, 2018. As our controlling shareholder, Landsea Group Co., Ltd. may significantly influence most of our matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate actions, including mergers and acquisitions. Our chairman and executive director, Mr. Tian Ming, is also the chairman and president of Landsea Group Co., Ltd., and there is no assurance that the interest of Landsea Group Co., Ltd. will be consistent with our interests and those of our creditors, including holders of the Notes. To the extent that there are conflicts of interest between Landsea Group Co., Ltd. and us or our creditors, we cannot assure you that Landsea Group Co., Ltd. will not cause us to enter into transactions or take, or omit to take, other actions or make decision that may not be in the best interests of our creditors, including holders of the Notes.

We may fail to obtain, or experience material delays in obtaining, requisite certificates, licences, permits or governmental approvals for our property development operations, and as a result our development plans, business, results of operations and financial condition may be materially and adversely affected

The property industry in the PRC is heavily regulated. During various stages of our property development projects, we are required to obtain and maintain various certificates, licences, permits, certificates and governmental approvals, including but not limited to qualification certificates, land use rights certificates, construction land planning permits, construction works planning permits, construction works commencement permits, pre-sale permits and completion certificates. Before the government authorities issue or renew any certificate, licence or permit, we must meet specific conditions.

We cannot assure you that we will be able to adapt to new PRC land policies that may come into effect from time to time with respect to the property development industry or that we will not encounter other material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates, licences or permits for our operations in a timely manner, or at all, in the future. If we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary certificates, licences or permits for any of our major property development projects, we will not be able to continue with our development plans or they may be delayed, and our business, results of operations and financial condition may be adversely affected.

We may be subject to fines due to the commencement of construction works prior to obtaining the relevant construction works commencement permit or building unauthorised construction without local government's permission

Pursuant to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council on January 10, 2000 and effective on January 30, 2000, a property developer shall apply for a construction works commencement permit from the relevant authority prior to the commencement of any construction works on the land. If a property developer fails to obtain the relevant construction works commencement permit before commencement of construction works, the relevant authorities may order the property developer to stop the construction and make corrections and impose a fine of no less than 1% but no more than 2% of the contractual price of the project to the property developer. Pursuant to the Administrative Measures for Construction Permits of Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on 25 June 2014 and effective on 25 October 2014, where a fine is imposed on the property developer, a fine of no less than 5% but no more than 10% of the amount of the property developer's fine may be imposed on the directly liable person-in-charge and other directly liable persons

in the property developer. If any of our project companies commences construction without the construction work commencement permit, we may be subject to fines, which may have an adverse effect on our business, results of operation and financial condition.

We may not be able to complete or deliver our property development projects on time, which may subject us to liabilities as a result of such delays

The progress of a property development project may be materially and adversely affected by various factors, including delays in obtaining necessary licences, permits or governmental approvals, shortages of materials, equipment and skilled workers, labour disputes, negligence or poor work quality of contractors, construction accidents, natural catastrophes, adverse weather conditions and changes in governmental policies.

We make certain undertakings in our sales contracts including delivering completed properties and individual building ownership certificates to our customers within the period stipulated in the sales contracts. These sales contracts and the relevant PRC laws and regulations provide for remedies for breach of such undertakings. If we fail to complete the properties on time, our customers may seek compensation for late delivery pursuant to either their sales contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our customers may terminate the sales contracts and claim compensation. Our customers may also elect to default on such sales contracts. We may also be liable to our customers for any delay in the delivery of individual building ownership certificates, which is caused by delays in the administrative approval process or other reasons beyond our control. We cannot assure you that we will not experience any significant delays in the completion or delivery of our properties, or that we will not be subject to any liabilities for any such delays. Liabilities arising from any delays in the completion or delivery of our properties may have a material adverse effect on our business, results of operations and financial condition. In addition, you should not unduly rely upon our contracted sales numbers (which have neither been audited nor reviewed by our auditors) contained in this offering memorandum as a measure or indication of our current or future operating performance.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters, and we may not be able to obtain land use rights certificates with respect to certain parcels of land

Under PRC laws and regulations, the PRC government may issue a warning, impose a penalty and/or reclaim our land if we fail to develop a particular project according to the terms of the relevant land grant contracts, such as the approved land use, payment of land premiums and other fees, and the time for commencement and completion of development.

Under current PRC laws and regulations, we may be subject to late penalties as stipulated in the land grant contracts if we fail to pay any outstanding land premium by the stipulated deadline. If we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land bureau may serve an investigation notice and impose an idle land fee of up to 20% of the land premium on us if the delay is found out not to be caused by government actions or force majeure. If we fail to commence development for more than two years, the land may be subject to forfeiture by the PRC government unless the delay is caused by government actions or force majeure. Furthermore, even if we commence development in accordance with the land grant contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project as specified in the project registration or approval documents, not including the purchase price of the land, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land.

We cannot assure you that we will be able to fully comply with the obligations under the land grant contracts or listing-for-sale letters in the future due to factors which are beyond our control, or that our property development projects will not be subject to idle land penalties or be taken back by the government as a result of such delays. If we fail to comply with the terms of any land grant contract or listing-for-sale confirmation letter as a result of delays in project development or any other reasons, we may lose our previous investments in the land and the opportunity to develop the project, which may have a material adverse effect on our business, results of operations and financial condition.

We provide guarantees for mortgage loans of our customers and may become liable to mortgagee banks if our customers default on their mortgage loans

In line with industry practice, we provide guarantees for mortgage loans given by banks to our purchasers of properties developed by us. Typically, we guarantee mortgage loans given by banks to purchasers until the earlier of (i) the relevant properties are completed and the relevant building ownership certificates and the mortgage are registered in favour of the mortgagee bank, and (ii) the mortgage loans between the mortgagee bank and the purchaser are settled. If a purchaser defaults on a mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluation conducted by the mortgagee banks on such customers. These are contingent liabilities not reflected on our balance sheets.

As of December 31, 2017, our outstanding guarantees in respect of the mortgages for certain purchasers of our properties amounted to RMB2,140.6 million (US\$329.0 million). If there is any material default and if we were called upon to honour our guarantees, our business, results of operations and financial condition may be materially and adversely affected.

Our profitability and results of operations are affected by changes in interest rates

We finance our property development projects primarily through proceeds from pre-sales and sales, bank borrowings and shareholder loan from our controlling shareholder, Landsea Group Co., Ltd. Changes in interest rates have affected, and will continue to affect, the financing costs for our property developments. Our bank borrowings are primarily denominated in Renminbi. The interest rates on our Renminbi bank borrowings are primarily affected by the benchmark interest rate set by the People's Bank of China ("PBOC"), which has fluctuated significantly in recent years. The PBOC benchmark one-year lending rates in the PRC (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2015, 2016 and 2017 was 4.35% for each of the three years. Our average borrowing cost was approximately 6.5%, for the year ended December 31, 2017. The weighted average effective interest rate for our bank loans was 6.2% as of December 31, 2017. Most of our finance costs are capitalised and recognised as cost of sales upon the sale of properties. As a result, such capitalised finance costs may adversely affect our gross profit margin upon the sales of properties in future. In addition, changes in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which, in turn, may affect their ability to purchase our properties. In the year ended December 31, 2017, our finance costs were RMB238.9 million (US\$36.7 million).

We cannot assure you that the PBOC will not raise lending rates further or otherwise discourage bank lending. Further increases in lending rates may increase our finance costs, which may have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in cost of construction materials or cost of labour may have a material adverse effect on our business, results of operations and financial condition

The cost of construction materials such as steel and cement, as well as contractors' labour costs, may fluctuate. We procure construction materials through our external contractors or by ourselves. If the price of construction materials increases beyond the agreed pre-determined percentage, we may be required to reimburse our contractors for any shortfall. If there is a material increase in the costs of construction materials and we cannot pass on such increase to our customers, our business, financial conditions and results of operations may be materially and adversely affected.

Our construction costs have also been affected by rising labour costs in the PRC in recent years, and we expect labour costs in the PRC to continue to increase in the future.

If the cost of construction materials or cost of labour deviate materially from our initial estimation, our business, results of operations and financial condition may be materially and adversely affected.

Any negative net operating cash flows may prevent us from meeting our payment obligations, our business, financial condition and results of operations may be materially and adversely affected

We recorded positive net cash flows from operating activities for the years ended December 31, 2015, 2016 and 2017. However, we cannot assure you that we will not experience negative net cash flows in the future. Negative net operating cash flows require us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations, including those under the Notes and may not be able to develop our projects as planned or meet our capital expenditure requirements. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends substantially on the continuing efforts of the members of our senior management and qualified personnel and our ability to attract and retain them

Our business depends, to a significant extent, on the capability and expertise of our senior management team members, including our executive directors and other members of our management who have operational experience in the real estate business. In particular, we rely on Mr. Tian Ming, our chairman, who has more than 13 years of experience in the development and management of real estate industry. If one or more of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner, or at all, and the implementation of our business strategies may be affected, which could materially and adversely affect our operations. In addition, we rely on our employees, which include qualified administrative, customer services, supervisory and management personnel for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced employees in the future. If we fail to recruit, retain or train skilled employees, our growth and business prospects could be adversely affected.

We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, results of operations and financial condition may be materially and adversely affected

We face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, in line with general industry practice in the PRC, we do not maintain insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group. Please refer to the section headed “Business — Insurance” in this offering memorandum for further information. The occurrence of any of these events may result in an interruption of our operations and subject us to significant losses or liabilities. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, results of operations and financial condition may be materially and adversely affected.

We may be involved in disputes, administration, legal and other proceedings arising out of our operations from time to time and may face significant liabilities or damage to our reputation as a result

We may from time to time be involved in disputes with various parties involved in the development and sales of our properties, including contractors, suppliers, construction workers and purchasers. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management’s attention. In addition, we may have disagreements with regulatory bodies in the ordinary course of our operations, which may subject us to administrative proceedings and unfavourable decrees that result in significant liabilities and cause delays to our property developments. Finally, any failure or alleged failure by us or any of our directors, officers or other agents to fully adhere to the PRC or other applicable anti-corruption laws, any investigation in relation to such failure by any regulatory body, or any failure to comply with other applicable laws or regulations could materially and adversely affect our reputation and our business, results of operations and financial condition. We cannot assure you that we will not be so involved in any major legal or other proceedings in the future.

We are subject to certain restrictive covenants and risks normally associated with borrowings which may limit or otherwise materially and adversely affect our business, results of operations and financial condition

Certain of our banking facilities are subject to a number of material, customary affirmative and/or negative covenants. For example, certain of our subsidiaries are restricted from carrying out merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the relevant banks. Certain of our banking facilities taken out by certain of our operating subsidiaries also contain cross default conditions which deem a breach of default conditions under relevant financing facilities by such operating subsidiaries and their guarantor(s) to be a default by such operating subsidiaries of the banking facilities. If any cross default occurs, these banks are entitled to accelerate payment of all or any part of the indebtedness owing under the relevant loan agreements and to enforce all or any of the security for such indebtedness. If we fail to comply with any of those covenants or repay these loans in part or in full at their respective maturity dates, there may be a material adverse effect on our business, results of operations and financial condition.

Investment in real property is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all

We intend to increase the proportion of commercial property projects while strategically retaining high quality commercial properties as investment properties for generating rental income. In general, investment in real property is relatively illiquid compared with other forms of investment. We may need to dispose of certain investment properties in the event of changing economic, financial and investment conditions. However, we cannot assure you that we will be able to sell such investment properties at prices or on terms satisfactory to us, or at all.

We may be subject to potential liability for environmental problems, which may result in losses

We are subject to a variety of laws and regulations concerning the protection of the environment. The applicable environmental laws and regulations may vary significantly depending on the location, environmental condition and present and former uses of the site. Project development activities can be severely restricted or prohibited in environmentally sensitive regions or areas. Compliance with health and environmental laws and conditions may result in delays or cause us to incur substantial compliance and other costs. Please refer to the sections headed “Business — Environmental and Safety Matters” in this offering memorandum for details.

As required by PRC laws, we have engaged independent third-party environmental consultants to conduct environmental impact assessments at all of our construction projects, and such environmental impact assessments were submitted to the relevant government authorities for approval before commencement of development. It is possible that the environmental impact assessment conducted may not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. If any portion of the project is found to be non-compliant with relevant environmental standards, we may be subject to suspension of our operations of such project as well as fines and penalties.

Future investments or acquisitions may have a material adverse effect on our ability to manage our business and harm our results of operations and financial condition

We may make strategic investments and acquisitions that complement our operations. However, our ability to make successful strategic investments and acquisitions will depend to a large extent on our ability to identify suitable acquisition targets that meet our investment and acquisition criteria, to obtain financing on favourable terms and, where relevant, to obtain the required regulatory approvals. In the event that we are unable to make, or are restricted from making, such strategic investments or acquisitions due to regulatory, financial or other constraints, we may not be able to effectively implement our investment or expansion strategies.

Acquisitions typically involve a number of risks, including, but not limited to:

- the difficulty of integrating the operations and personnel of the acquired business;

- the potential disruption to our ongoing business and the distraction of our management;
- the difficulty of maintaining uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and customers as a result of integration of new management and personnel;
- unrevealed potential liabilities associated with acquired businesses;
- higher than planned requirements to preserve and grow the value of acquired businesses or assets; and
- impairment provisions for goodwill or other intangible assets associated with acquisitions, and losses sustained by acquired businesses after the date of acquisitions.

We may not be able to make acquisitions or investments on favourable terms or within a desired time frame. Even if we were able to make acquisitions or investments successfully as desired, we cannot assure you that we will achieve an intended level of return on such acquisitions or investments. In addition, we may require additional equity financing in order to make such acquisitions and investments. If obtained, any such additional equity financing may result in dilution to the holdings of existing shareholders. Any of these factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

We mainly purchase from a small group of suppliers, and any disruption in their supply may have a material adverse effect on our business, results of operations and financial condition

Our major suppliers were mainly our construction contractors. Purchases from our five largest suppliers accounted for approximately 25.8% of our total purchases for the year ended December 31, 2017, and purchases from our largest supplier accounted for approximately 12% of our total purchases for the same period. Should there be a disruption in supply by one or more of our major suppliers and we fail to find replacement suppliers on favourable terms, or at all, our business, results of operations and financial condition may be materially and adversely affected.

RISKS RELATING TO THE PRC REAL ESTATE INDUSTRY

We may not have adequate financing, whether through bank loans or other arrangements, to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all

Property development is capital intensive. We finance our property development projects primarily through proceeds from sales of properties and bank borrowings. We may also access the capital markets to raise further financing. Our ability to obtain external financing in the future is subject to a variety of uncertainties, many of which are beyond our control, including:

- the condition of the international and domestic financial markets and financing availability;
- international markets;
- our future financial condition, results of operations and cash flow;
- general economic conditions in the PRC;
- performance and outlook of the property development industry in the PRC;
- changes in the monetary policy of the PRC government with respect to bank interest rates, lending practices and conditions; and
- changes in policies regarding regulation and control of the property market.

We cannot assure you that we will be able to meet our sales targets or that banks or other lenders will grant us sufficient financings in the future as we expect. Accordingly, we may not be able to raise enough funds for our continuing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements.

There are certain PRC laws and regulations which govern financing policies on PRC financial institutions for the property development sector and tighten the criteria for banks to provide loans to property development enterprises and limit the accessibility of bank financing to our development projects.

The PRC government may further tighten financing policies on PRC financial institutions for the property development sector. These property-related financing policies may limit our ability and flexibility to use bank borrowings to finance our property projects and therefore may require us to maintain a relatively high level of internally generated cash.

We cannot assure you that the PRC government will not introduce other initiatives which may further limit our access to capital and the ways we finance our property development projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. If we fail to secure adequate financing or renew our existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on our business, results of operations and financial condition.

Our operations are subject to extensive governmental regulation, and we may be affected by further measures promulgated by the PRC government to slow down the growth of the property sector

Our business of developing and selling residential premises is extensively regulated in the PRC. We are required to comply with various PRC laws and regulations, as well as policies and procedures prescribed by local authorities to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, which, among other things, control foreign exchange, taxation, foreign investment and the supply of land for property development. Through these policies and measures, the PRC government may raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales, impose foreign exchange restriction on cross-border investment and financing related activities and restrict foreign investment in the PRC property sector and restrict or reduce the supply of land for property development. In the event that we breach any applicable laws, rules, regulations or restrictions, we may be subject to fines or penalties, which may have a material adverse effect on our business, results of operations and financial condition.

Over the past few years, the PRC government has introduced a number of policies to control the growth and curtail the overheating of, and the foreign investment in, the PRC property sector. The PRC government's measures and policies could restrict our ability to obtain financing and increase our operating costs, as well as limit our potential customers' ability to purchase our properties. Measures and policies adopted by the PRC government to restrict the ability of purchasers to obtain mortgages, to resell their properties or to increase the cost of mortgage financing may reduce market demand for our properties and therefore have a material adverse effect on our business, results of operations and financial condition. The PRC government may adopt further measures in the future which may further reduce market demand and slow down the growth of the property industry. These measures may have a material adverse effect on our business, results of operations and financial condition.

Changes in PRC laws and regulations with respect to pre-sale may have a material adverse effect on our business performance

We depend on cash flows from the pre-sale of properties as an important source of funding for our property development. Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their development. We cannot assure you that the PRC government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining

pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. The adoption of any such measures may materially and adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project development, which may not be available on commercially reasonable terms, or at all.

The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations which could have a material adverse effect on our results of operations

In accordance with PRC regulations on land appreciation tax (“LAT”), all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. Pursuant to a circular issued by the State Administration of Taxation, effective February 1, 2007, LAT obligations must be settled with the relevant tax bureaus within a specified time frame after the completion of a property development project.

We make prepaid LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As of December 31, 2015, 2016 and 2017, we made prepaid LAT of approximately RMB47.2 million, RMB146.7 million and RMB139.4 million (US\$21.4 million), respectively. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned amongst such different phases of development. Prepaid LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. However, given the time gap between the point at which we make prepayment for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. If we substantially underestimated LAT for a particular period, a payment of the actual LAT assessed and levied on us by the tax authorities could have a material adverse effect on our results of operations for a subsequent period.

The terms on which mortgage loans are available, if at all, may affect our sales

Many purchasers of our properties rely on mortgages to finance their purchases. Any increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the purchasers’ affordability of properties. In addition, the PRC government and commercial banks may increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

From time to time, the PRC government issues laws, regulations or government policies regarding mortgage financing to regulate the PRC property market, in order to reduce perceived speculation in the property market. During the global financial crisis the PRC government implemented a number of measures designed to stimulate the economy, including lowering the down payment requirements for purchasing residential properties and PBOC benchmark bank lending rates. However, since the fourth quarter of 2009, the PRC government has again enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures include requiring and adjusting the minimum down payment for the acquisition of residential properties, requiring and adjusting the minimum mortgage loan interest rate for purchases of residential properties, requiring commercial banks to suspend mortgage loans to customers for purchase of multiple residential properties. For more details on the relevant PRC regulations, see “Regulations — Property Development Loans and Loans for Individual Housing Consumption.”

We cannot assure you that the PRC government will not further increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes would not adversely affect our business, financial condition and results of operations.

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.” If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition may be materially and adversely affected.

Intensified competition may materially and adversely affect our business, results of operations and financial condition

Competition within the PRC real estate industry is intense. Domestic and overseas property developers have also entered the property development markets in cities where we have operations. Many of them may have more financial, marketing, technical or other resources than us. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of governmental approvals, and higher costs to attract or retain skilled employees. If we fail to compete effectively, our business, results of operations and financial condition materially and adversely affected.

We cannot prevent our competitors from engaging in similar development projects. We also face intense competition from other real estate developers. These factors may materially and adversely affect our business, results of operations and our financial position

We believe that our specialization in the development of high-quality, comfortable and eco-friendly properties that deploy energy-saving technologies is one of the main reasons for our success. If our competitors construct similar development projects, or use similar concepts to advertise their products, it may affect our customers’ understanding of our products and the image of our brand. Further, demand for our development may fall if our competitors offer competing products similar to ours. This will affect our business and results of operations.

In recent years, a large number of property developers, including a number of leading Hong Kong property developers and other overseas developers, have begun undertaking property development and investment projects in the PRC. Some of these developers may have better track records, greater financial, land and other resources, broader name recognition and greater economies of scale than us.

Competition among property developers may result in an increase in acquisition costs of land for development, an increase in costs for raw materials, an over-supply of properties, a decrease in property prices in certain parts of the PRC or an inability to sell such properties, a slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect our business, financial position and results of operations. In addition, recent market downturns in the PRC may further decrease property prices. If we cannot respond to changes in market conditions in the markets in which we operate more swiftly and effectively than our competitors, our business, financial position and results of operations may be materially and adversely affected.

The consolidated financial statements for December 31, 2015 and the consolidated balance sheet as of December 31, 2015 were restated and were neither audited nor reviewed by our auditors

We acquired the entire interest in Epic China Limited from a shareholder on January 29, 2016 at a total consideration of RMB718,940,633 (equivalent to approximately HK\$871,140,364). Such consideration was settled by way of issuance of 610,659,269 ordinary shares and HK\$432,687,009 (equivalent to RMB363,847,000) convertible perpetual securities. One of our wholly owned subsidiaries,

Shanghai GR and Management Co., Ltd., acquired the entire interest of Shanghai Landsea Planning and Architectural Design Co., Ltd. from a fellow subsidiary on January 29, 2016 for an aggregation consideration of RMB19,500,000. These acquisitions are considered as a business combination involving entities under common control and have been accounted for by using merger accounting method. As a result of adoption of merger accounting, the consolidated balance sheet as at December 31, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2015 were restated to include the result of Epic China Limited and Shanghai Landsea Planning and Architectural Design Co., Ltd. during that year, as if the business combinations had been occurred from the beginning of 2015. The comparative financial information of the Group for the year ended December 31, 2015 as included in the audited consolidated financial statements for the year ended December 31, 2016 were neither audited nor reviewed by PricewaterhouseCoopers and are not comparable with the audited consolidated financial statements of the Group for the year ended December 31, 2015.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Most of our assets and operations are in the PRC, and substantially all of our revenue is derived from our operations in the PRC. Accordingly, our future business, results of operations, financial condition and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC, including the following risks:

Political and economic policies of the PRC government may affect our business and results of operations and may result in our inability to sustain our growth and expansion strategies

The PRC economy has largely been a centrally planned economy, which differs from other developed economies of the world in many respects, including:

- its structure;
- the level of governmental involvement;
- the level of development;
- growth rate;
- the control of foreign exchange; and
- the allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market oriented economy. The PRC government has implemented economic reform measures emphasising utilization of market forces in the development of the PRC economy and is continuing to play a significant role in regulating industries by imposing industrial policies.

We cannot, however, predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws and regulations, will have any material adverse effect on our current or future business, results of operations, financial condition and prospects.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. The PRC government has recently articulated the need to control economic growth, and to limit inflation. The PRC government implemented a series of macro-economic policies which included raising the benchmark interest rates, increasing the PBOC statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of restricting loans to certain industries. Certain of these macro-economic policies and stricter lending policies in the PRC may have a material adverse effect on our results of operations, financial condition and our ability to obtain financing, thus reducing our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending, or that, if any such measure is implemented,

it will not have a material adverse effect on our future results of operations or profitability. Furthermore, we cannot assure you that our historical economic and market conditions will continue, or that we will be able to sustain our growth.

A slowdown of the PRC economy may slow down our growth and may affect our business

The PRC economy has recorded one of the world's fastest growth rates in terms of GDP in the last two decades. However, we cannot assure you that such growth will sustain and continue in the future. In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment.

In addition, a slowdown in the economies of the United States, the European Union and certain Asian nations with which the PRC has important trade relationships or any future calamities may materially and adversely affect the economic growth of the PRC. If the PRC economy experiences a significant downturn, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Rapid economic growth can lead to growth in money supply and inflation. If prices of our properties rise at a rate that is insufficient to compensate for the rise in our costs, our business, financial condition and operating results may be materially and adversely affected. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on State bank lending. Such an austerity measure can lead to a slowdown in the economic growth and may materially and adversely affect our business, results of operation and financial condition.

The global financial markets have experienced significant deterioration and volatility, which have negatively affected the global economy. Any further downturn may adversely affect our results of operations and financial condition

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global equity securities markets and tightening of liquidity in global credit markets. Since 2011, the tightening monetary policies and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which we may be affected, these developments may continue to present risks to our business operations for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction in the amount of banking facilities currently available to us. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads in credit markets, a reduction in available financing and a tightening of credit terms.

Should there be a further economic downturn or credit crisis for any reason, our ability to borrow funds from current or other funding sources may be further limited, causing our continued access to funds to become more expensive, which would adversely affect our business, liquidity, financial condition, results of operations, and most importantly, our property development projects. As such, we cannot assure you that our business operations will not suffer further adverse effects caused by the previous or future credit crisis.

Interpretation of PRC laws and regulations involve inherent uncertainties that could limit the legal protection available to us and to our shareholders

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a

view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. For example, on September 14, 2015, the NDRC issued the NDRC Notice, which provides that enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments in relation to foreign debt with a maturity of more than one year to the NDRC within ten business days in the PRC after the completion of each issuance. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Notice) may also be required by the NDRC to comply with the NDRC Notice. We have registered the issuance of the Notes with the NDRC pursuant to the NDRC Notices. Nevertheless, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited.

Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.”

Fluctuations in foreign exchange rates and changes in foreign exchange regulations may materially and adversely affect our business and results of operations and our ability to remit dividends

Our revenue and expenditure are mainly denominated in Renminbi, which is currently not a freely convertible currency. We do not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge our currency risk. In addition, we will require foreign currencies for dividend payment (if any) to our shareholders. As a result, we are exposed to foreign currency fluctuations.

The China Foreign Exchange Trade System and National Interbank Funding Center (“CFETS”), authorized by the PBOC, calculates and publishes the central parity of RMB against USD and other major foreign currencies on each business day. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day’s inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was widened to 1.0% on April 16, 2012 and further to 2.0% on March 17, 2014. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against the U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. The PBOC has further authorized the CFETS to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. Any appreciation of Renminbi may result in the decrease in the value of foreign currency-denominated assets. Conversely, any depreciation of Renminbi may adversely affect our business, results of operations and financial condition.

Capital account transactions in foreign currencies are subject to significant exchange controls and generally require the approval of PRC government authorities, including SAFE. Under the existing PRC foreign exchange regulations, by complying with certain procedural requirements, we will be able to pay dividends (if any) in foreign currencies without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulations relating to acquisition of PRC companies by offshore holding companies may limit our ability to acquire PRC companies and may materially and adversely affect the implementation of our acquisition strategies as well as our business and prospects

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》(the “M&A Provisions”) issued by six PRC ministries, including MOFCOM, effective from September 8, 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign funded enterprise, and thus convert the domestic non-foreign-invested enterprise into a foreign invested enterprise to conduct asset merger and acquisition. It stipulates that the business scope upon acquisition of domestic enterprises must conform to the Catalog of Guidance on Industries for Foreign Investment as revised in 2015 (外商投資產業指導目錄(2015)) issued by the NDRC and the PRC Ministry of Commerce (“MOFCOM”), which restricts the scope of permitted foreign investment. It also provides the takeover procedures for equity interests in domestic companies. On September 3, 2016, the National People’s Congress Standing Committee (“NPCSC”) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On October 8, 2016, the NDRC and the MOFCOM jointly issued a notice regarding the scope of industries subject to the special administrative measures for foreign investment entry, according to which the M&A Provisions still apply to convert the domestic non-foreign-invested enterprises into foreign invested enterprises. On June 28, 2017, NDRC and MOFCOM jointly promulgated the Catalog of Guidance on Industries for Foreign Investments (2017) (外商投資產業指導目錄(2017年修訂)) to replace the Catalog of Guidance of Industries for Foreign Investment (2015), which came into effect on July 28, 2017.

On July 30, 2017, MOFCOM promulgated the Decision of the Ministry of Commerce to Amend the Interim Measures for the Filing Administration of the Formation and Modification of Foreign-Invested Enterprises (關於修改〈外商投資企業設立及變更備案管理暫行辦法〉的決定), under which filing administration shall apply to foreign investors’ mergers and acquisitions of domestic non-foreign-invested enterprises and strategic investments in listed companies, provided that they do not involve special administrative measures stipulated in the Catalog of Guidance on Industries for Foreign Investments (2017), or mergers and acquisitions of affiliates.

There are uncertainties as to how the M&A Provisions will be interpreted or implemented after the Decision of the Standing Committee of the National People’s Congress on Revision of Four Laws Including the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定). If we decide to acquire a PRC enterprise, we cannot assure you that we or the owners of such PRC enterprise can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict our ability to implement our acquisition strategies and may have a material adverse effect on our business, results of operations and financial condition.

Failure to comply with the cross-border guarantee related regulations may materially and adversely affect our business, results of operations and financial condition

On May 12, 2014, SAFE issued the Notice on Issuing the Provisions of Foreign Exchange Administration of Cross-Border Guarantees (關於發佈〈跨境擔保外匯管理規定〉的通知) (“Circular 29”). According to Circular 29, the Provisions of Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) and Practice Guidance of Foreign Exchange Administration of

Cross-Border Guarantees (跨境擔保外匯管理操作指引) became effective on June 1, 2014, and 12 regulations and rules regarding the foreign guarantee regime in China were abolished at the same time. According to the provisions, onshore guarantees for offshore loans and offshore guarantees for onshore loans shall be subject to the registration administration of foreign exchange authorities, and the execution and performance of the guarantee contract for cross-border guarantee will not be subject to SAFE's prior approval in most situations. Further, upon the performance of the guarantee obligation by the offshore guarantor in favour of the onshore creditor, the onshore debtor will consequently incur foreign debt owed to the offshore guarantor. Thereafter, the onshore debtor shall register with SAFE for the foreign debt. The unpaid principal of foreign debt arising from the performance of the guarantee agreement owed by the onshore debtor is not allowed to exceed the onshore debtor's audited net assets in the previous year; if exceeded, the exceeded amount shall use up part of the foreign debt quota of the onshore debtor; if the foreign debt quota is not enough, the exceeded portion will be deemed and handled as foreign debt without SAFE's approval. Pursuant to the Practice Guidance of Foreign Exchange Administration of Cross-Border Guarantees, whoever fails to comply with the Circular 29 and other relevant provisions when engaging in cross-border guarantees will be punished by the foreign exchange authority under the Regulation of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例). If we engage in cross-border guarantees and fail to comply with the Circular 29 and other foreign guarantee related regulations, such failure may subject us to fines and legal sanctions and may also materially and adversely affect our business, results of operations and financial condition.

Our income tax obligations may increase and dividends from certain PRC subsidiaries may be subject to withholding tax under PRC tax laws

The definition of "EIT Law" should refer to the PRC Enterprise Income Tax Law. Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), or the *EIT Implementation Rules*, effective January 1, 2008, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds directly a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary. However, according to Circular 601 of the PRC State Administration of Taxation dated October 27, 2009, tax treaty benefits will be denied to "conduit" or shell companies without business substance. Therefore, it is unclear whether dividend payments made by our PRC subsidiaries to our Hong Kong subsidiaries, which hold the equity interests in our PRC subsidiaries, will continue to enjoy the 5% PRC tax rate.

We conduct a substantial portion of our operations through our Hong Kong and BVI subsidiaries, which hold operating subsidiaries located in the PRC. Dividend payments made by PRC subsidiaries to our BVI subsidiaries may be subject to the 10% PRC withholding tax.

Dividend payments made by PRC subsidiaries to our Hong Kong subsidiaries may not continue to enjoy the 5% PRC tax rate. As a result, our financial conditions may be materially and adversely impacted.

Interest payable by us to our foreign investors and gain on the sale of the Notes may be subject to taxes under PRC tax laws

Since we conduct, through our indirect subsidiaries, some operations in the PRC, the interest payable on the Notes may be considered to be sourced within China under the EIT Law. As such, PRC income tax at the rate of 10% may need to be withheld from interest payable on the Notes to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realised on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

If we are required under the EIT Law to withhold PRC income tax on our interest payable to non-resident holders who are “non-resident enterprises”, we will be required, subject to certain exceptions based on the applicable tax treaty, to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of the Notes, the value of your investment in the Notes may be materially and adversely affected. Prospective holders should consult their tax advisers as to whether they may be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas if we are considered a PRC “resident enterprise”.

It may be difficult to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC

Most of our management reside in the PRC and a significant portion of our assets and the assets of our management are located in the PRC. Accordingly, it may be difficult for you to effect service of process in connection with disputes brought in the courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

Furthermore, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the BVI, Bermuda and most other western countries. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Acts of God, acts of war, epidemics and other disasters could affect our business

Our business is subject to the general and social conditions in the PRC. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, sandstorm or drought. Our business, results of operations and financial condition may be materially and adversely affected if these natural disasters occur.

Epidemics threaten people’s lives and may materially and adversely affect their livelihoods. The occurrence of an epidemic is beyond our control and there is no assurance that any future outbreak of severe acute respiratory syndrome, avian flu, Ebola virus disease, Middle East respiratory syndrome coronavirus, H1N1 flu, human swine flu or other epidemics occurring in areas in which we operate, or even in areas in which we do not operate, will not seriously interrupt our business, which may materially and adversely affect our results of operations and financial condition. Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, markets, suppliers and customers, any of which may materially and adversely affect our revenue, cost of sales, results of operations, financial condition or share price. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO THE NOTES

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries

We are a holding company with no material operations. We conduct substantially all of our business operations through our PRC subsidiaries and U.S. subsidiaries, but none of our current PRC subsidiaries or U.S. subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee upon issuance of the Notes. No existing or future PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. No existing or future offshore subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future, to the extent the consolidated assets of our U.S. subsidiaries do not exceed 35% of our total assets and the consolidated assets of other non-U.S. offshore subsidiaries do not exceed 10% of our total assets. Moreover, the Notes will not be guaranteed by certain of our other offshore subsidiaries upon issuance. See

“Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries and U.S. subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our PRC subsidiaries and U.S. subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries’ assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes.

As of December 31, 2017, our Non-Guarantor Subsidiaries had total debt in the amount of RMB4,212.5 million (US\$647.4 million), capital commitments in the amount of RMB2,473.6 million (US\$380.2 million) and contingent liabilities arising from guarantees in the amount of RMB2,370.9 million (US\$364.4 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations.

Under the terms of the Notes, a Subsidiary Guarantee may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total interest-bearing bank and other borrowings as of December 31, 2015, 2016 and 2017 were RMB6,886.4 million, RMB6,083.3 million and RMB5,429.4 million (US\$806.8 million), respectively.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Indenture, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on fair value adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, including our obligations under the Notes, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Material Indebtedness and Other Obligations.” Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

We may in the future designate certain subsidiaries as Unrestricted Subsidiaries under the Indenture, which will not be subject to various covenants under the Indenture; and we and our Restricted Subsidiaries may be able to make dividend payment in shares of our Unrestricted Subsidiaries under the Indenture

We have the flexibility under the terms of the Notes to designate any subsidiary in the Restructuring Group (as defined under “Description of the Notes — Definitions”) as Unrestricted Subsidiaries, subject to certain conditions. The effects of designation of an entity as an Unrestricted Subsidiary include, but are not limited to:

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the Notes;

- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;
- as applicable, the Subsidiary Guarantees of such entity may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the Notes may be released; and
- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under “Description of the Notes — Definitions”), other than such interest expenses on indebtedness that is guaranteed and is actually paid by the Company or a Restricted Subsidiary.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market pricing and trading of the Notes may be materially affected. In addition, we will be able to pay dividends or make distributions on or with respect to our or our Restricted Subsidiaries’ capital stock in shares of capital stock of any Unrestricted Subsidiary, as long as there is no default at the time of, and after giving effect to, such dividend payment or distribution under the Indenture. Accordingly, you are cautioned as to our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indenture.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries

As a holding company, we depend on the receipt of dividends and the principal and interest payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to certain dividend distribution limitations. See “Description of Material Indebtedness and Other Obligations — PRC Loan Agreements.” Such restrictions may adversely affect the calculation of our Consolidated EBITDA, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the Notes. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

The Notes and the Subsidiary Guarantees will be unsecured and effectively subordinated to our and our subsidiaries' existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness

Our obligations under the Notes and the Subsidiary Guarantors' obligations under the Subsidiary Guarantees are unsecured, but our obligations and certain Subsidiary Guarantors' obligations under the 2015 Trust Deed have been secured by a security interest in the shares of all of the 2015 Subsidiary Guarantors under the 2015 Trust Deed, all of which are Subsidiary Guarantors under the Notes. See "Description of Material Indebtedness and Other Obligations — The 2015 Private Notes." In addition, the Indenture governing the Notes will allow us to incur certain additional secured indebtedness and the Notes will be effectively subordinated in right of payment to any of our secured indebtedness to the extent of the value of the collateral securing such indebtedness. Also, the Subsidiary Guarantees will be effectively subordinated to any secured indebtedness, to the extent of the value of the collateral securing such indebtedness, incurred in the future by the Subsidiary Guarantors. The effect of this subordination is that upon a default in payment on, or the acceleration of, any of our or any Subsidiary Guarantor's secured indebtedness or in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of the Subsidiary Guarantors, the proceeds from the sale of assets securing our or any Subsidiary Guarantor's secured indebtedness will be available to pay obligations on the Notes or Subsidiary Guarantees, as applicable, only after all of our or any Subsidiary Guarantor's secured indebtedness has been paid in full. In any such event, it is possible that there would be no assets remaining from which the Noteholders' claims could be satisfied or, if any assets remained, they might be insufficient to satisfy the Noteholders' claims in full. See "Description of Material Indebtedness and Other Obligations."

We may not be able to repurchase the Notes upon a Change of Control Triggering Event

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled "Description of the Notes." The source of funds for any such purchase would be our available cash or third-party financing.

However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt. In addition, the definition of a Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for

purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

Interest payable by us to our foreign investors and gain on the sale of our Notes may be subject to withholding taxes under PRC tax laws

We may be treated as a PRC resident enterprise for PRC tax purposes. See “— Risks Relating to Conducting Business in the PRC — Our income tax obligations may increase and dividends from certain PRC subsidiaries may be subject to withholding tax under PRC tax laws.” If we are deemed a PRC resident enterprise, the interest payable on the Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC “resident enterprise.” If we are required under the EIT Law to withhold PRC income tax on interest payable to our foreign noteholders that are “non-resident enterprises,” we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC “resident enterprise”

In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in specified tax law or certain other circumstances, including any change in interpretation or statement of the official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt

agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends,
- transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with third parties, including other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 5% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. We are also permitted to make investments in any minority owned joint venture which are Franchise Companies (as defined in the Indenture) that are engaged in property development, of which we, through contractual agreements, directly or indirectly, controls and managers operations, subject to conditions. See "Description of the Notes."

The terms of the Notes permit us to pay substantial amount of dividends

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a “Restricted Payment”, which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock in an aggregate amount up to 20% of our profit for the year without satisfying the Fixed Charge Coverage Ratio. Additionally, such dividends will not reduce the “restricted payment” basket. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

The Notes are subject to optional redemption by us

As set forth in “Description of the Notes — Optional Redemption,” the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. We may be expected to redeem Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes may not be a suitable investment for all investors seeking exposure to green assets

We have developed our Green Bond Framework and intend to adopt certain obligations with respect to the issue of Green Bonds as described in the section titled “Notes Being Issued as Green Bonds.” We intend to issue Green Bonds to fund new and existing projects and businesses with environmental benefits in alignment with the Green Bond Principles, 2017. We cannot guarantee that we will be able to comply with the obligations as set out in the Green Bond Framework. However, it will not be an event of default under the terms of the Notes if we fail to comply with such obligations. Such failure may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. Therefore, the Notes may not be a suitable investment for all investors seeking exposure to green assets.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes

The Notes are a new issue of securities for which there is currently no trading market. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled “Transfer Restrictions.” No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

The ratings assigned to the Notes and our corporate ratings maybe lowered or withdrawn in the future.

We have received corporate ratings of “B” with a stable outlook from S&P, “B” with a positive outlook by Fitch and “B2” with a positive outlook by Moody’s. The Notes are expected to be assigned a rating of “B3” by Moody’s, “B-” by S&P and “B” by Fitch. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no

obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute “connected transactions” under the Listing Rules will not be subject to the “Limitation on Transactions with Shareholders and Affiliates” covenant

Our shares are listed on The Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a “connected person” of such listed company, on the other hand, is a “connected transaction” that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of “connected person” to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of “connected person” also captures “associates,” which include, among others, (a) any subsidiary of such “connected person,” (b) any holding company of such “connected person” and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders’ requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers’ certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The insolvency laws of Bermuda and other local insolvency laws may differ from those of another jurisdiction with which holders of the Notes are familiar

Because we and some of the Subsidiary Guarantors are incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of Bermuda, the British Virgin Islands, United States or Hong Kong an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in other jurisdictions, would likely involve Bermuda, insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, our other Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the British Virgin Islands, the United States or Hong Kong and the insolvency laws of the British Virgin Islands, the United States and Hong Kong may also differ from the laws of the jurisdictions with which the holders of the Notes are familiar.

We conduct a large part of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally

could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

The Trustee may request the holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, the Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions on their behalf. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. Further, the Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Indenture or in circumstances where there is uncertainty or dispute as to such actions' compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders of the Notes to take such actions directly.

There may be less publicly available information about us than is available in certain other Jurisdictions

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities in certain other countries

For so long as the Notes are listed on the SGX-ST, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

RISKS RELATING TO THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees

We conduct substantially all of our business operations through our PRC subsidiaries and U.S. subsidiaries, but none of our current PRC subsidiaries or U.S. subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee upon issuance of the Notes. No existing or future PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. No existing or future offshore subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future, to the extent the consolidated assets of our U.S. subsidiaries do not exceed 35% of our total assets and the consolidated assets of other non-U.S. offshore subsidiaries do not exceed 10% of our total assets. Moreover, the Notes will not be guaranteed by certain of our other offshore subsidiaries upon issuance. See “Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See “Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors which will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our obligations under Notes if we are unable to do so.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all U.S. Non-Guarantor Subsidiaries (including the resulting New Non-Guarantor Subsidiary from such release) do not account for more than 35.0% of our total assets and (ii) all Other Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiary) do not account for more than 10.0% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year-end. See “— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Bermuda, the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a

guarantee could be subordinated to all other debts of that guarantor if, among other things and where applicable, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors (whenever the transaction took place and irrespective of insolvency) or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received no consideration or received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- in the case of guarantors incorporated outside of the British Virgin Islands only, was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2017 on an actual basis and as adjusted after giving effect to the issue of the Notes after deducting the underwriting commissions and discounts and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with our consolidated financial statements and related notes included in this offering memorandum.

	As of December 31, 2017			
	Actual		As adjusted ⁽¹⁾	
	(RMB'000)	(US\$'000) (Unaudited)	(RMB'000) (Unaudited)	(US\$'000) (Unaudited)
Cash and cash equivalent⁽²⁾	3,341,835	513,631	4,298,261	660,631
Current borrowings⁽³⁾	2,174,458	334,208	2,174,458	334,208
Non-current borrowings⁽⁴⁾:				
Borrowings	3,254,957	500,278	3,254,957	500,278
Notes to be issued.	—	—	956,426	147,000
Total non-current borrowings	<u>3,254,957</u>	<u>500,278</u>	<u>4,211,383</u>	<u>647,278</u>
Total equity	<u>3,698,063</u>	<u>568,382</u>	<u>3,698,063</u>	<u>568,382</u>
Total capitalization⁽⁵⁾	<u>6,953,020</u>	<u>1,068,660</u>	<u>7,909,446</u>	<u>1,215,660</u>

Notes:

- (1) Figures in the “As adjusted” column reflect the issue of the Notes and the receipt of the gross proceeds thereof after deducting the underwriting commissions and discounts and other estimated expenses payable by us in connection with the issue of the Notes.
- (2) Cash and cash equivalents do not include restricted cash of RMB282.0 million (US\$43.3 million).
- (3) Current borrowings includes the current portion of long-term bank borrowings and other borrowings, and includes the balance of the 2015 Private Notes. See “Description and Material Indebtedness and Other Obligations — The 2015 Private Notes” for more details.
- (4) Our total non-current borrowings does not include any accrual for capital and other commitments.
- (5) Total capitalization equals total non-current borrowings plus total equity.

Since December 31, 2017, we have entered into certain loan agreements with certain banks or companies. For details about such loans, see “Description of Material Indebtedness and Other Obligations.”

Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization and indebtedness since December 31, 2017.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US\$147.0 million, which we plan to use for repayment of indebtedness, including the 2015 Private Notes, working capital and general corporate purposes and in accordance with our Green Bond Framework.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

NOTES BEING ISSUED AS GREEN BONDS

PURPOSE

This Green Bond Framework has been developed to demonstrate how we will issue Green Bonds to fund new and existing projects and businesses with environmental benefits in alignment with the *Green Bond Principles, 2017*.

ASSERTIONS FROM MANAGEMENT

For each Green Bond issued, we assert that we will adopt: (1) use of proceeds, (2) project evaluation and selection, (3) management of proceeds and (4) reporting, as set out in this framework.

1. Use of Proceeds

With reference to the *Green Bond Principles, 2017*, the proceeds of each Green Bond will be used exclusively for the financing or the re-financing of “Eligible Projects”, including without limitation, the refinancing of existing debt in relation to, or for general corporate purposes related to, such projects.

“**Eligible Projects**” refer to projects funded, in whole or in part, by us which that promote the transition to low-carbon and climate resilient growth as determined by us. Eligible Projects target climate mitigation and include investment in the development of sustainable properties.

Eligible Projects are any project that fulfils the following (i) criteria 1 and 2 or (ii) criterion 3 below.

1. Residential buildings environmentally certified in accordance with any one of the following selected certification systems (“Environmental Certification”):
 - New construction or renovation of existing buildings;
 - Chinese Green Building Label (minimum certification “2 Star” for Green Building Design Label or Green Building Operation Label); or
 - Any other equivalent Green Building label, that is an equivalent standard as the above.
2. Additional energy saving/performance data for projects mentioned above. Such data shall be anticipated by the management team before project completion and evidenced through third party energy reports as soon as practicable following the completion of the relevant project. Such energy saving/performance data shall provide at least (“Energy performance data”):
 - New construction of buildings.
 - 15% to 30% energy performance improvement or greater.
 - Renovation of existing of buildings.
 - 40% to 60% energy performance improvement, depending on location and other justifiable building benefits.
3. Research and development covering energy efficiency design and technologies for housing and construction (a maximum of 20% limit is established for financing such research and development).

2. Project Evaluation and Selection

Eligible Projects are selected by our treasury department together with the green research and development department.

We will review Environmental Certification and energy performance data for its projects. If such project is compliant with the criteria listed above, it may be earmarked as the use of proceed of Green Bonds issued under this framework, including by way of using the proceeds of the Green Bonds to refinance debt in relation to such projects.

We may commission a qualified third party to investigate and report on building energy performance and therefore determine eligibility for our Green Bond.

3. Management of Proceeds

We will establish a Green Bond eligible investment register for the Green Bond(s) issued. The register will contain, for each Green Bond issued, information including:

1. **Green Bond details:** Including details such as ISIN, issue date, maturity date, principal amount and coupon.
2. **Eligible green investment project list:** Information including:
 - confirmation that earmarked projects conform to our Green Bond Framework;
 - member within our Group that owns the project;
 - environmental Certification (including source and date);
 - energy Performance data (including source and date);
 - project location;
 - amount of investment (state currency);
 - date of investment;
 - progress or construction status; and
 - any other necessary information so that the aggregate of issuance proceeds earmarked to Eligible Projects is recorded.

Any balance of issuance proceeds not earmarked to fund eligible green investments will be held in accordance with our normal treasury or liquidity management policy.

4. Reporting

We will provide an annual update report including:

1. Details of the Green Bonds issued including details such as ISIN, issue date, maturity date, principal amount and coupon;
2. Confirmation of aggregate amount of proceeds earmarked to Eligible Projects;
3. The remaining balance of Green Bond proceeds yet to be earmarked;
4. A list of Eligible Projects earmarked to be funded by the proceeds of the Green Bonds, including information such as building certifications and energy performance data; and

5. A selection of more detailed project examples (where competition and confidentiality considerations allow).

The green bond update report will be available on our website or included in our annual report.

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The changes in currency policy resulted in Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. For the year ended December 31, 2014, Renminbi depreciated 0.36% against the U.S. dollar, the first depreciation since the Renminbi exchange reform in 2005. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the USD-RMB exchange rates. On the same day, the daily reference rate for Renminbi against U.S. dollars depreciated by 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6090	6.6198	6.6385	6.5967
December	6.6199	6.6164	6.6199	6.6136
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March ⁽²⁾	6.2726	6.3174	6.3565	6.2685

Notes:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.
- (2) As of the date of this offering memorandum, the noon buying rates for U.S. dollars for the month of April of 2018 have not been published by the Federal Reserve Bank of New York.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rate for Hong Kong dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Period end	Noon buying rate		
		Average ⁽¹⁾	High	Low
		(HKD per US\$1.00)		
2012	7.7507	7.7556	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7554	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
October	7.7996	7.8044	7.8106	7.8015
November	7.8093	7.8052	7.8118	7.7955
December	7.8128	7.8128	7.8228	7.8050
2018				
January	7.8210	7.8190	7.8230	7.8161
February	7.8262	7.8221	7.8267	7.8183
March ⁽²⁾	7.8484	7.8413	7.8486	7.8275

Notes:

- (1) *Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.*
- (2) *As of the date of this offering memorandum, the noon buying rates for Hong Kong dollars for the month of April of 2018 have not been published by the Federal Reserve Bank of New York.*

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents our selected financial information. The selected consolidated statement of comprehensive income for the years ended December 31, 2015 and 2016 and the selected consolidated statement of financial position as of December 31, 2015 and 2016 set forth below have been derived from the audited consolidated financial statements as of and for the year ended December 31, 2016, which have been audited by PricewaterhouseCoopers, the independent certified public accountants, and included elsewhere in this offering memorandum. The comparative financial information of the Group for the year ended December 31, 2015 as included in the annual report for the year ended December 31, 2016 were restated, which were neither audited nor reviewed by PricewaterhouseCoopers. The audited consolidated financial statements of the Group for the year ended December 31, 2015 contain original financial information, which are not comparable with the comparative financial information for the year ended December 31, 2015 as included in the annual report for the year ended December 31, 2016. The selected consolidated statement of comprehensive income for the year ended December 31, 2017 and the selected consolidated statement of financial position as of December 31, 2017 (except for EBITDA data) set forth below have been derived from our audited consolidated financial statements as of and for the year ended December 31, 2017 which have been audited by PricewaterhouseCoopers, our current independent auditors and included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected financial information below (except for EBITDA data) should be read in conjunction with the section entitled “Management’s discussion and Analysis of Financial condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Selected consolidated statement of comprehensive income and other financial data

	For the year ended December 31,			
	2015 (RMB'000) (Restated) ⁽¹⁾	2016 (RMB'000) ⁽¹⁾	2017 (RMB'000)	2017 (US\$'000) (Unaudited)
Revenue	1,792,791	4,845,008	6,213,931	955,064
Cost of sales and services	<u>(1,034,158)</u>	<u>(4,086,294)</u>	<u>(4,690,410)</u>	<u>(720,903)</u>
Gross profit	758,633	758,714	1,523,521	234,161
Other income	34,410	142,681	150,704	23,163
Selling expenses	(73,418)	(90,115)	(119,889)	(18,427)
Administrative expenses	(109,698)	(288,754)	(420,235)	(64,589)
Fair value gain on investment properties	44,047	41,750	28,910	4,443
Other gains/(losses), net	<u>81,459</u>	<u>392,258</u>	<u>11,991</u>	<u>1,843</u>
Operating profit	735,433	956,534	1,175,002	180,595
Finance costs, net	(49,913)	(194,085)	(238,925)	(36,722)
Share of losses of associated companies	(11,085)	45,088	169,453	26,044
Share of loss of a joint venture	<u>(10,445)</u>	<u>24,930</u>	<u>21,881</u>	<u>3,363</u>
Profit before income tax	663,990	832,467	1,127,411	169,451
Income tax expense	<u>(184,261)</u>	<u>(225,631)</u>	<u>(406,570)</u>	<u>(61,108)</u>
Profit for the year	<u>479,729</u>	<u>606,836</u>	<u>720,841</u>	<u>108,343</u>
Other comprehensive (loss)/income				
Translation differences which may not be subsequently recycled to profit or loss	(142,446)	(122,282)	145,300	21,839
Other comprehensive (loss)/income for the year, net of tax	<u>(142,446)</u>	<u>(122,282)</u>	<u>145,300</u>	<u>21,839</u>
Total comprehensive income for the year	<u>337,283</u>	<u>484,554</u>	<u>866,141</u>	<u>130,182</u>
Profit for the year attributable to:				
The shareholders of the Company	485,079	595,439	580,523	87,253
Non-controlling interests	<u>(5,350)</u>	<u>11,397</u>	<u>140,318</u>	<u>21,090</u>
	<u>479,729</u>	<u>606,836</u>	<u>720,841</u>	<u>108,343</u>
Other Financial Data				
EBITDA ⁽²⁾	681,670	848,170	1,552,018	234,712
EBITDA margin ⁽³⁾	38.0%	17.5%	25.0%	25.0%

Notes:

- (1) We acquired the entire interest in Epic China Limited from a shareholder on January 29, 2016 at a consideration of RMB718,940,633. One of our wholly owned subsidiaries, Shanghai GR and Management Co., Ltd., acquired the entire interest of Shanghai Landsea Planning and Architectural Design Co., Ltd. from a fellow subsidiary on January 29, 2016 for an aggregation consideration of RMB19,500,000. These acquisitions are considered as a business combination involving entities under common control and have been accounted for by using merger accounting method and as a result, the consolidated statement of comprehensive income for the year ended December 31, 2015 was restated in the audited consolidated financial statements as of and for the year ended December 31, 2016 to include the results of the combining entities during that period. The audited consolidated financial statements as of and for the year ended December 31, 2016 include the results of the acquired entities as if the business combination under common control had occurred at the beginning of previous balance sheet date. For more information, see Note 2 to our consolidated financial statements as of and for the year ended December 31, 2016 included in this offering memorandum.
- (2) EBITDA for any year refers to profit for the year before income tax expense, finance costs, interest expense previously capitalized, net exchange gains/(losses), fair value gain on investment properties, gain on disposal of subsidiary/joint venture and depreciation. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. For more details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures."
- (3) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant year, expressed as a percentage.

Selected consolidated statement of financial position

	As at December 31,			
	2015	2016	2017	2017
	(RMB'000) (Restated) ⁽¹⁾	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Non-current Assets				
Investment property	249,170	290,920	319,830	49,157
Property, plant and equipment	13,919	21,070	656,245	100,863
Interests in associates	2,218,144	744,099	983,077	151,096
Interests in joint ventures	695,370	448,646	1,885,436	289,786
Other receivables, prepayments and deposits	81,783	425,516	181,826	27,946
Amounts due from related parties	—	—	1,370,535	210,647
Deferred tax assets	86,633	153,609	237,735	36,539
Goodwill	9,460	9,460	9,460	1,454
	<u>3,354,479</u>	<u>2,093,320</u>	<u>5,644,144</u>	<u>867,489</u>
Current assets				
Properties held for sale	172,840	395,323	847,831	130,309
Properties under development	7,986,633	10,379,261	6,658,882	1,023,451
Inventories	7,123	23,501	52,069	8,003
Deposits for purchase of land	729,300	42,000	212,125	32,603
Trade receivables	95,404	233,270	629,462	96,747
Other receivables, prepayments and deposits	265,059	328,934	381,341	58,611
Amount due from related parties	—	818,271	1,559,826	239,741
Amounts due from non-controlling interests	—	558,000	571,500	87,838
Prepaid taxes	140,955	158,394	139,534	21,446
Restricted cash	126,854	215,722	281,952	43,335
Cash and cash equivalents	1,262,269	2,761,130	3,341,835	513,631
	<u>10,786,437</u>	<u>15,913,806</u>	<u>14,676,357</u>	<u>2,255,715</u>
Total Assets	<u>14,140,916</u>	<u>18,007,126</u>	<u>20,320,501</u>	<u>3,123,204</u>
Current liabilities				
Creditors and accruals	783,489	1,367,759	2,001,908	307,688
Advanced proceeds received from customers	2,981,820	4,924,805	4,051,066	622,637
Amounts due to non-controlling interests	45,014	—	18,110	2,783
Amounts due to related parties	1,237,980	325,360	2,044,080	314,169
Borrowings	1,111,117	1,267,990	2,174,458	334,208
Taxation payable	205,685	201,691	270,499	41,575
	<u>6,365,105</u>	<u>8,087,605</u>	<u>10,560,121</u>	<u>1,623,061</u>
Non-current liabilities				
Borrowings	5,775,239	4,815,351	3,254,957	500,278
Deferred tax liabilities	42,413	52,850	75,537	11,610
Amounts due to related parties	—	1,787,112	2,714,606	417,227
Amounts due to non-controlling interests	—	211,492	17,217	2,646
	<u>5,817,652</u>	<u>6,866,805</u>	<u>6,062,317</u>	<u>931,761</u>
Total Liabilities	<u>12,182,757</u>	<u>14,954,410</u>	<u>16,622,438</u>	<u>2,554,822</u>
Equity				
Capital and reserves attributable to the shareholders of the Company				
Share capital	26,665	31,800	31,800	4,888
Convertible perpetual securities	110,054	484,204	495,425	76,145
Reserves	1,781,230	2,384,652	2,964,716	455,669
Non-controlling interests	40,210	152,060	206,122	31,680
	<u>1,958,159</u>	<u>3,052,716</u>	<u>3,698,063</u>	<u>568,382</u>
Total equity	<u>1,958,159</u>	<u>3,052,716</u>	<u>3,698,063</u>	<u>568,382</u>
Total Liabilities and Equity	<u>14,140,916</u>	<u>18,007,126</u>	<u>20,320,501</u>	<u>3,123,204</u>

Note:

- (1) We acquired the entire interest in Epic China Limited from a shareholder on January 29, 2016 at a consideration of RMB718,940,633. One of our wholly owned subsidiaries, Shanghai GR and Management Co., Ltd., acquired the entire interest of Shanghai Landsea Planning and Architectural Design Co., Ltd. from a fellow subsidiary on January 29, 2016 for an aggregate consideration of RMB19,500,000. These acquisitions are considered as a business combination involving entities under common control and have been accounted for by using merger accounting method and as a result, the consolidated statement of financial position as of December 31, 2015 was restated in the audited consolidated financial statements as of and for the year ended December 31, 2016 to include the financial position of the combining entities as of December 31, 2015. For more information, please refer to Note 2 of our consolidated financial statements as of and for the year ended December 31, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the section entitled “Summary Consolidated Financial Information” and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our consolidated financial information were prepared in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to “2015”, “2016” and “2017” refer to our financial years ended December 31, 2015, 2016 and 2017, respectively.

OVERVIEW

We are a PRC property developer focusing on the development of green, energy-saving and eco-friendly residential properties. According to China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Evaluation and Assessment Center, we have been on the list of the Top 100 China Real Estate Enterprises for seven consecutive years since 2010. We have also been recognized as the China Green Property Developer of the Year for 2017 by the Boao Real Estate Forum in 2017. We have also received a number of awards or recognitions for our various property development projects. We have received the 2015 National Pioneer Award for Green Building from China Green Building Council in 2015, the platinum certification from the German Sustainable Building Committee of the German Sustainable Building Committee (“DGNB”) for our Brucker Passive House project in 2016, which was the first time such certification was awarded to a PRC property developer, the Value Creation Award of China Elite Program organized by Yicai.com in 2017, Jingrui Prize Gold Award for our Landsea 8th Renmin Road project from the National Science and Technology Awards Studio of the Ministry of Science and Technology of the PRC in December 2017, and the PHI PLUS Gold Certification from the German Passive House Institute for our Beijing Yanqing Passive House project in 2018. Under our “product differentiation, asset-light transformation and market-internationalization” development strategies, we have expanded our operations into many first and second-tier cities in China, including Shanghai, Hangzhou, Suzhou, Nanjing, Wuhan, Chengdu, Changsha, Hefei, Tianjin and Wuxi, as well as certain other major international cities, such as New York, Boston, San Francisco and Los Angeles, in the United States.

We develop, manage, lease and sell properties in China and the U.S. Under our “product-diversification, asset-light transformation and market-internationalization” strategy, we have transitioned from an asset-heavy real estate developer to an asset-light enterprise focusing on the provision of development, management and real estate financing services. We will continue to follow this strategy and expand our various new projects, instead of obtaining land parcels in prime locations. As of December 31, 2017, we had a total of 77 projects with a total planned GFA of approximately 12,865,868 sq.m., of which approximately 3,758,640 sq.m. were attributable to the Group.

In 2015, 2016 and 2017, our revenue was RMB1,792.8 million, RMB4,845.0 million and RMB6,213.9 million (US\$955.1 million), respectively, and our profit for the year was RMB479.7 million, RMB606.8 million and RMB720.8 million (US\$110.8 million), respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We derive our revenue primarily from the sale of properties and leasing of our investment properties. Our results of operations and financial condition are primarily affected by a number of factors, many of which are beyond our control. See “Risk Factors”. Such factors include the following:

- economic growth and demand for properties of the cities in which we conduct our business;
- regulatory environment and measures affecting the real estate industry in the PRC;
- availability and cost of financing;
- the product mix and geographic locations of our properties;

- fluctuation in the valuation of our investment property;
- increase in the price of raw materials and labor costs; and
- our execution capability to support further business expansion.

In addition, our business, results of operations and financial conditions are affected by a number of factors, many of which are beyond our control. See “Risk Factors.”

Economic Growth of and Demand for Properties in the Cities in which We Conduct Our Business

Our business and results of operations are significantly affected by trends and developments in the PRC and the U.S. economies, including disposable income levels, urbanization rate, population growth and the availability of project and real estate financing, which affect demand for commercial and residential properties in China or the U.S. In the last decade, China has experienced significant economic growth, which has brought a growing and favorable market for us in the cities in which we operate, which are mainly in the Yangtze River Delta region and Northern China. As of December 31, 2017 our revenue from the sale of properties in the PRC amounted to RMB4,048.7 million (US\$622.3 million), which accounted for 65.2% of the total revenue for 2017. We expect continued economic growth and rising demand in the PRC market to support demand for commercial and residential properties over the next several years. In addition, as we continue to expand our business operations in the U.S., economic trends and real estate developments, including developments in the U.S. housing markets, will become increasingly important to our business and results of operations. As of December 31, 2017, our revenue from the sale of properties in the U.S. amounted to RMB193.9 million (US\$29.8 million) which accounted for approximately 3.1% of the total revenue for 2017.

Regulatory Environment and Measures Affecting the Real Estate Industry in the PRC

Our business and results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, governmental policies and measures taken by the PRC government on property development and related industries. In recent years, the PRC government has implemented a series of measures with a view to control the growth of the real estate markets. While the real estate industry is regarded as a pillar industry by the PRC government, it has taken various restrictive measures to discourage speculation in the PRC real estate market and to increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector by regulating, among others, land grants, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. See “Regulations” for more details on the relevant PRC laws and regulations. While we believe it is in the PRC government’s interest to stabilize the real estate market, and that the continuous increase of disposable income will continue to support the long-term growth of China’s real estate market, we cannot assure that the PRC government will not adopt further measures in the near future that may adversely affect our business and financial performance.

The slowdown of the global economy from 2008 to early 2009 has affected the real estate industry in the PRC. It is difficult to determine the continued impact of the global economic slowdown and financial crisis on the property industry in the PRC due to its unprecedented nature. If the global economic slowdown and financial crisis worsen or become more severe than currently estimated, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Changes in the regulatory environment and measures affecting the real estate industry in general or in cities and regions in which we operate may affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties developed by us. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flow generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the continuing growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flow generated from the sale of our

properties for a particular period. On the other hand, higher selling price and a shorter selling period may increase our gross profit, reduce our selling and distribution costs and increase our cash flow for a particular period to enable us to fund the continuing growth of our business.

Availability of Land and Cost of Financing

To have a steady stream of properties available for sale and to achieve continuous growth in the long-term, we need to replenish and increase suitable land reserves at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development, which consists of land premium and where necessary, the cost of demolition of existing buildings and relocation of residents. The cost of acquiring land has a direct and substantial effect on our gross margins. We expect competition among property developers for land in China and the U.S. for suitable land reserves to remain intense, which affects land prices. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, in May 2014, the Ministry of Land and Resources promulgated Provisions on the Economical and Intensive Use of Land (節約集約利用土地規定), which set the land premium at no less than the lowest standard of land use fee stipulated by the PRC government. See “Regulations” for more information on the relevant PRC policies and measures. Such policy changes may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

We require substantial capital investment for the acquisition of land use rights and the construction of our projects. As of December 31, 2015, 2016 and 2017, our outstanding bank loans amounted to approximately RMB3,459.9 million, RMB3,273.7 million and RMB1,896.5 million (US\$291.5 million), respectively. In addition, we also issued the 2015 Private Notes in the offshore market in 2015. See “Description of Material Indebtedness and Other Obligations — The 2015 Private Notes” for more details. Our ability to secure financing for such purposes affects the number of projects we are able to develop at any time. On January 18, 2010, the PBOC decided to tighten the credit supply by increasing the reserve requirement ratio for commercial banks by 0.5%. On June 11, 2011, the PBOC raised this reserve requirement ratio to its peak of 21.5% for large commercial banks and 18% for small and medium-sized financial institutions. The PBOC then reduced the reserve requirement ratio for commercial banks five times in 2015 and one time in 2016. The reserve requirement ratio currently ranges from 15.5% to 17.0% with effect from February 29, 2016. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. Interest rates on our commercial bank borrowings vary and are linked to benchmark lending rates published by the PBOC, which fluctuate from time to time.

On the basis of the foregoing, we expect our interest expenses to fluctuate in the future as a result of changes in interest rates and the amount of our outstanding borrowings. See “Description of Material Indebtedness and Other Obligations.” We expect our interest costs to fluctuate in future periods as a result of changes in interest rates and the amount of outstanding borrowings.

The Product Mix and Geographic Locations of Our Properties

Our principal source of revenue and cash from operations is derived from the sale of commercial and residential properties and, to a lesser extent, from property development and management services. We also derive recurring revenue from our investment property, which is held for recurring income and/or for capital appreciation. Our results of operations and the sources and amount of our cash from operations may vary significant from period to period depending on the type and volume of our completed projects that we sell or lease, which often depends on the timing of the completion of various stages in the property development process. Our results of operations and cash flows will also vary depending on the market demand at the time we sell or lease our properties, which affects the rental and occupancy rates of our investment property and the selling prices for units in our residential properties. The recurring income and selling prices we receive from, and the occupancy levels of, our property developments depend on local market prices which, in turn, depend on local supply and demand conditions, as well as the type of property being developed.

Fluctuation in the Valuation of Our Investment Property

Our investment property, namely Dawning Tower, is a residential building located in Shenzhen, the PRC. Our investment property is recorded as non-current asset on our consolidated balance sheet and stated at its fair value as of the end of each reporting period on the basis of valuation by independent property valuer based on our current business model. Gains or losses arising from changes in the fair market value of our investment property are accounted for as profit or loss upon revaluation increase or decrease in investment property in our consolidated income statements, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgement and requires the use of certain bases and assumptions. The bases and assumptions which the valuer uses for the valuation typically includes values realized in comparable precedent transactions in the market for properties of similar size, character and location. The fair market value of our investment property may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains on our investment properties as of the relevant reporting dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any cash inflow to us until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may fluctuate significantly. We cannot assure you that we will record fair value gains, or that we will not record fair value losses, in the future. For 2015, we recorded net fair value gains on investment properties net of tax of RMB44.0 million. For 2016 and 2017, we recorded net fair value losses on investment properties net of tax of RMB41.8 million and RMB28.9 million (US\$4.4 million), respectively.

Increase in the Price of Raw Materials and Labor Costs

Our results of operations are affected by the costs of labor and raw materials used for construction such as steel and cement. In recent years, wages for construction workers and the prices of raw materials for construction have increased substantially. To the extent that we are not able to pass any increased costs on to our customers, our gross margin and our results of operations would be adversely affected.

To reduce our exposure to price volatility of raw material used for construction, we typically enter into contracts with third party construction contractors pursuant to which the construction contractors are responsible for procuring most of the construction materials for our property development projects. Such contracts usually set fixed or capped unit prices and the total price payable depends on our quantity requirement. Similarly, under the terms of most of our construction contracts, labor wages are paid by the construction contractors and increasing costs of labor are borne by the contractors during the term of such contracts. However, we are exposed to price volatility of labor and construction materials to the extent that we periodically enter into or renew our construction contracts at different terms during the life of a project, which may span over several years. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if the labor or raw material costs increase subsequent to the time of such pre-sale.

Our Execution Capability to Support Further Business Expansion

We have been expanding our commercial and residential property development operations in the PRC and the U.S. In 2016, we acquired a total of 25 projects in Nanjing, Shanghai, Suzhou, Hangzhou, Wuhan, Chengdu, Changsha, Hefei, Tianjin and the U.S. 18 of those projects are in the PRC, including 12 projects in which we held equity interest and six development management projects by entrusted independent third parties, and seven projects are in the U.S., including one new project and six existing projects that were injected to our portfolio in 2016, which are mainly in tier-I and tier-II cities in the U.S. The development of projects in these high-growth impose significant demand on our management and other operational resources. Moreover, we will face increased competition and will need to established brand recognition and market acceptance for our developments in these markets. Each of our high-growth tier-I and tier-II cities has its own market conditions, customer requirements and local regulations related to the real estate industry. In addition, our expansion into the U.S. market, which is significantly different from China in terms of market conditions, regulatory compliance requirement and customers, imposes significant demands on our management and other operational resources.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 4 to our consolidated financial statements included in this offering memorandum. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue recognition for development management services fees

We use the percentage-of-completion method in accounting our development management service contracts. The use of the percentage-of-completion method requires us to estimate the total contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract. While for the contracts with the floating fees, besides the determination of percentage of completion, significant accounting estimates is also involved in the determination of projected sales. Our total revenue recognised could be different from the amounts that were initially recorded, and these differences will affect the revenue in the periods in which such target properties are delivered to our customers.

Revenue recognition for sales of land improvements

We use the percentage-of-completion method in the accounting for sales of land improvements. The use of the percentage-of-completion method requires us to estimate the total contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract.

Classification of subsidiary, joint venture and associate

In the normal course of business, we develop properties together with other developers or institutions, through entering into co-operation agreements with these parties. Our rights and obligations and the other parties are stipulated by respective agreements or requirements, such as co-operation agreements and article of associations of the project companies. Given the complexity of the arrangements, significant judgement is involved in our determination of whether a project company is our subsidiary, joint venture or associate. We make such judgements based on the substance of the arrangements and the definition of subsidiary, joint venture and associate.

Estimated fair value of investment property

Our investment property is stated at fair value which is determined by an independent professional valuer. Such valuation is made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. We regularly compare such estimates to actual market data and actual transactions in the market.

Net realizable value of inventory, properties held for sale and under development

We determine the net realizable value of inventory, properties held for sale and under development by using prevailing market data such as most recent sale transactions. We make such assessment based on certain assumptions, which are subject to uncertainties and might materially differ from the actual

result. In making the judgement, we give reasonable considerations to the underlying assumptions that are mainly based on market condition existing at the reporting date. We regularly compare such estimates to actual market data and actual transactions in the market.

Income taxes and deferred tax

We are subject to income taxes in Hong Kong, the United States and the PRC. We make significant judgement in our determination of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. We recognize liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

We recognized deferred income tax assets relating to certain temporary differences and tax losses when we consider it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

PRC land appreciation taxes

We are subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and we have not yet finalized our LAT calculation and payments with local tax authorities in the PRC for most of its property development projects. Accordingly, we used significant judgement in determining the amount of land appreciation and its related taxes. We recognize these liabilities based on our management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

Impairment of interests in associates and joint ventures

We follow the guidance of HKAS 39 in identifying any impairment indicator for interests in our associate and joint ventures. We use significant judgement in making such determinations. We evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Assessment of the Potential Impact from HKFRS new standards or amendments that have not yet become effective nor adopted by us

The Hong Kong Institute of Certified Public Accountants has issued a number of new HKFRS standards and amendments which have not become effective as of the date of the issuance of the audited consolidated financial statements as of and for the year ended December 31, 2017. We have commenced an assessment of such new standards or amendments and believe that certain of which are relevant to our operations, financial performance and/or financial position. We do not intend to adopt such standards or amendments before their respective effective dates. We summarize the results of our preliminary assessment from such relevant standards or amendments below:

- HKFRS 15 (Revenue from contracts with customers): Our revenue from pre-sales of properties under development is recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the applicable laws that apply to the contract, control of the property under development may transfer over time or at a point in time. When the control of the property is transferred over time, revenue is recognized over the period of the contract by reference to the progress towards completion of the performance obligation. Otherwise, our revenue is recognized at a point in time when the customer obtains control of the completed property.

Based on our preliminary assessment, we believe the adoption of HKFRS 15 will have some impact on our financial position and results of operations. Under HKFRS 15, our revenue for certain pre-sale properties may be changed and recognized earlier over the period of time, instead of at a single point in time under the current accounting policies. Certain costs incurred in obtaining a pre-sale property contract, which is currently expensed off in profit or loss directly, will be eligible for capitalization and matched with revenue recognition pattern of related contract in the future. We intend to make the reclassification as of January 1, 2018, which is consistent with the terminology under HKFRS 15.

- HKFRS 9 (Financial instruments): HKFRS 9 introduces a new model, the expected credit losses model, to replace the current incurred loss model for the recognition of impairment losses through a “three-stage” approach, which is based on the change in credit quality of financial assets since initial recognition. Under the new model, assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

HKFRS 9 introduces new classification requirements for financial assets, which are based on the entity’s business model and its contractual cash flow characteristics. For non-derivative financial liabilities designated at fair value through profit or loss, changes in fair value due to changes in the liability’s own credit risk will be recognized in other comprehensive income.

We have not taken a detailed assessment but based on a preliminary assessment, we believe there will be no significant impact on our classification for financial assets and liabilities. We expect our financial assets and liabilities as currently measured at amortized costs will continue with their respective classification and measurements. As we do not hold any financial assets currently classified as available-for-sale, financial assets or liabilities currently measured at fair value through profit or loss. In general, we expect the new model introduced by HKFRS 9 will result in the earlier recognition of losses compared to the current incurred loss model adopted by us.

- HKFRS 16 (Leases): HKFRS 16 introduces new provisions for the accounting treatment of leases and will no longer allow lessees to recognize certain leases outside the balance sheet. Under the new standard, all non-current leases will be recognized in the form of an asset for the right to use and a financial liability for the payment obligation. Accordingly, each lease will be recorded in our consolidated statement of financial position.

We believe the adoption of HKFRS 16 will result in an increase in the right of use assets and an increase in financial liabilities in consolidated statement of financial position. As a result, in the statement of profit or loss, the operating expenses under the otherwise identical circumstances will decrease accordingly, while depreciation and amortization and interest expense will increase. We believe there will be some impact on our financial position as the related right of use assets and lease liabilities will be recognized upon the adoption of HKFRS 16. However, we believe the impact to our financial performance will not be significant as the impact of amortization of the right of use assets and unwinding the discount of the related payable will not be materially different from the operating lease charges that would have been recognized under the current accounting policies.

DESCRIPTION OF CERTAIN STATEMENT OF COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue in 2015, 2016 and 2017 consisted of (i) property development and management service fee income from third parties, associates and joint ventures and fellow subsidiaries, (ii) sale of properties in the PRC, the U.S. and Hong Kong, (iii) decoration service income and (iv) rental and management fee income.

The following table sets forth a breakdown of our revenue by sources for the periods indicated.

	For the year ended December 31,							
	2015		2016		2017			
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(US\$'000) (Unaudited)	%
Sale of properties and lands in:								
the PRC	865,109	48.3	3,834,225	79.1	4,048,718	65.2	622,277	65.2
the U.S.	65,122	3.6	287,008	6.0	1,330,845	21.4	204,507	21.4
Management services fee income	801,558	44.8	623,171	12.8	753,225	12.1	115,769	12.1
Decoration service income	34,857	1.9	74,141	1.5	46,313	0.7	7,118	0.7
Rental and management fee								
on investment property income	26,145	1.4	26,463	0.6	26,548	0.4	4,080	0.4
Long-term rental apartment income	—	—	—	—	8,282	0.1	1,273	0.1
Total revenue	1,792,791	100.0	4,845,008	100.0	6,213,931	100.0	955,064	100.0

Sale of properties and lands

For sale of properties and lands, revenue is recognized when significant risks and rewards of ownership of the properties are transferred to our customers. We consider that the significant risks and rewards of ownership of our properties sold are transferred when the construction of relevant properties has been completed and the properties and lands have been delivered to the customers. As we derive our revenue primarily from sale of properties and lands, our results of operations for a given period are dependent on the total GFA and ASP of properties we delivered during such period. Our results of operations may vary significantly from period to period depending on the development and delivery schedules of our properties in any given period.

In 2015, 2016 and 2017, our revenue from sale of properties and lands amounted to RMB930.2 million, RMB4,121.2 million and RMB5,379,563 million (US\$826,824 million), respectively, which accounted for 51.9%, 85.1% and 86.6% of our total revenue, respectively.

Management service fee income

For management service fee income, we generate revenue from the provision of general management service, sales management service, green technical system integration service and brand authorization service to third parties, our associates and joint venture and fellow subsidiaries. Revenue is recognized when the services are rendered.

In 2015, 2016 and 2017, our management service fee income amounted to RMB801.6 million, RMB623.2 million and RMB753.2 million (US\$115.8 million), respectively, which accounted for 44.7%, 12.9% and 12.1% of our total revenue, respectively.

Decoration service income

For decoration service income, we generate revenue by providing decoration services to properties developed by us and other real estate developers. The revenue is recognized when the services are rendered.

In 2015, 2016 and 2017, our decoration service income amounted to RMB34.9 million, RMB74.1 million and RMB46.3 million (US\$7.1 million), respectively, which accounted for 1.9%, 1.5% and 0.7% of our total revenue, respectively.

Rental and management fee income

For rental and management fee income, we receive rental and management fee from our investment property in Shenzhen, the PRC. Revenue is recognized on a time proportion basis over the lease terms.

In 2015, 2016 and 2017, our rental and management fee income amounted to RMB26.1 million, RMB26.5 million and RMB26.5 million (US\$4.1 million), respectively, which accounted for 1.4%, 0.6% and 0.4% of our total revenue, respectively.

Long-term rental apartment income

For long-term apartment rental income, we receive rental income from long-term rental apartments in the PRC. Revenue is recognized on a time proportion basis over the term of the lease.

In 2017, our long-term apartment rental income amounted to RMB8.3 million (US\$1.3 million), which accounted for approximately 0.1% of our revenue for the year.

Cost of Sales and Services

Our cost of sales and services primarily includes cost of sale of properties and lands in the PRC and the U.S., cost of construction, capitalised finance, property tax, wages, salaries and allowances and other taxes.

Cost of sale of properties and lands are incurred directly for our property and land development activities. The main component of cost of sale of properties and lands for our property and land development business is the cost of properties sold, which includes the cost of construction, costs of land and capitalized finance costs on related borrowings during the period of construction.

- Construction costs include all the costs for the design and construction of a project, including payments to third party contractors and designers and costs of construction materials. Price movements of raw materials and other related supplies may increase our construction costs.
- Costs of land include costs relating to the acquisition of rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the PRC government or land obtained in the secondary market transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land are influenced by a number of factors, including the location of the property, the timing of the acquisition, the project's size and/or plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs.

Gross Profit

In 2015, 2016 and 2017, our gross profit was RMB758.6 million, RMB758.7 million and RMB1,523.5 million (US\$234.2 million), respectively, and our gross profit margins were 42.3%, 15.7% and 24.5%, respectively. Our gross profit margins decreased primarily because of higher proportion of low ASP properties were delivered in 2016.

Other Income

Our other income primarily include interest income from amounts due from joint ventures and associates, interest income from loan to third parties and deposits paid for acquisition of an associate, bank interest income, government grant and subsidy income. Our other income amounted to RMB34.4 million, RMB142.7 million and RMB150.7 million (US\$23.2 million) in 2015, 2016 and 2017, respectively.

Selling Expenses

Our selling expenses primarily include sales commission, salaries of sales personnel, marketing and advertising cost and other operation costs of sales offices.

Our selling expenses amounted to RMB73.4 million, RMB90.1 million and RMB119.9 million (US\$18.4 million) for 2015, 2016 and 2017, respectively.

Administrative Expenses

Our administrative expenses primarily include board meeting expense, depreciation, legal and professional fee, office rent and rates, provision of impairment loss of trade receivables, salary (including bonus), staff welfare and other administrative expenses.

Our administrative expenses amounted to RMB109.7 million, RMB288.8 million and RMB420.2 million (US\$64.6 million) for 2015, 2016 and 2017, respectively.

Fair Value Gain on Investment Property

Investment property is interests in the land and buildings held to earn recurring rental income. Investment property is stated at their fair value as of each reporting date. Gains or losses arising from changes in the fair value of our investment property are included in our consolidated statements of profit or loss in the period in which they arise. Changes in the fair value of the investment property will affect our results of operation.

In 2015, 2016 and 2017, we recorded change in fair value of investment property of RMB44.0 million, RMB41.8 million and RMB28.9 million (US\$4.4 million), respectively. These adjustments reflected unrealized capital gains on our investment property, and thus did not generate cash.

Net Other Gains/(Losses)

Our net other gains/(losses) primarily include net exchange gains/(losses), gain on disposal of subsidiaries and gains on disposal of property, plant and equipment. Our other net gains were RMB81.5 million, RMB392.3 million and RMB12.0 million (US\$1.8 million) in 2015, 2016 and 2017, respectively.

Finance Costs

Our finance costs mainly include interest expense on borrowings a less capitalized interest and other finance charges. Our finance costs amounted to RMB50.0 million, RMB194.1 million and RMB238.9 million (US\$36.7 million) in 2015, 2016 and 2017, respectively. Under HKFRS, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Furthermore, interest expenses can only be capitalized during the construction period and finance costs incurred prior to and after the construction period must be expensed. In 2015, 2016 and 2017, our interest expenses were RMB441.8 million, RMB581.9 million and RMB534.3 million (US\$82.1 million), respectively.

Share of Gains/(Losses) of Associates

In 2015, our share of losses of associates was RMB11.1 million, mainly attributable to the loss in profits from Nanjing Xueheng Properties Co., Ltd. in 2015. In 2016 and 2017, our share of profits of associates were RMB45.1 million and RMB169.5 million (US\$26.1 million), respectively, mainly attributable to the increase in profits in Hangzhou Wanye Property Co., Ltd. and Nanjing Merchant Xingsheng Property Development Co., Ltd. for the year 2016 and Suzhou Science and Technology Town Landsea Property Co., Ltd. and Nanjing Merchant Xingsheng Property Development Co., Ltd. for 2017.

Share of Gains/(Losses) of Joint Ventures

In 2015, our share of losses of joint ventures was RMB10.4 million, mainly attributable to the loss in profits from Suzhou Langhong Property Limited in 2015. In 2016 and 2017, our share of profits of joint venture were RMB24.9 million, and RMB21.9 million (US\$3.4 million), respectively, mainly attributable to the increase in profits in Nanjing Langrun Property Development Company Limited.

Income Tax Expense

Income tax expense represent PRC enterprise income tax and LAT payable by our subsidiaries in China and profits tax payable by our subsidiaries in Hong Kong and the U.S., respectively. In 2015, 2016 and 2017, our effective tax rate was 27.8%, 27.1% and 36.1%, respectively. Effective tax rates are derived by dividing total tax charge for the relevant period by profit before tax for that period. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	For the year ended December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	(Restated)			
<i>Current tax:</i>				
Hong Kong profits tax				
Tax expense for the year	—	—	1,770	272
Over-provision in prior years	(470)	(1,832)	—	—
PRC enterprise income tax				
Tax expense for the year	212,849	266,544	383,903	59,005
U.S. profits tax				
Tax expense for the year	282	170	—	—
PRC LAT	22,845	16,884	103,087	15,844
Deferred tax	(51,245)	(56,135)	(82,190)	(12,632)
Total income tax expense	184,261	225,631	406,570	62,489

The Hong Kong profits tax has been provided at 16.5% for each of the years of 2015, 2016 and 2017. The PRC enterprise income tax has been calculated at the applicable tax rate on the assessable profits for each of the 2015, 2016 and 2017. Under the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Shanghai Landsea Planning Construction Design Co., Ltd. from 2015 to 2017.

LAT expense represents the LAT payable in relation to our properties delivered during the period. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value in the ordinary course of sales and is recorded when the property is delivered and revenue is recognized.

Our U.S. subsidiaries were subject to the U.S. profits tax at the rate of 40.09%, 40.09% and 39.87% in 2015, 2016 and 2017, respectively.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In 2015, 2016 and the 2017, our deferred tax liabilities mainly represented revaluation of investment properties, unrealized exchange gains and difference in capitalized interests.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated which are derived from the consolidated statement of comprehensive income included in this offering memorandum. Our historical results presented below are not necessarily indicative of future results.

	Year ended December 31,			
	2015	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	(Restated)			(Unaudited)
Revenue	1,792,791	4,845,008	6,213,931	955,064
Cost of sales and services	(1,034,158)	(4,086,294)	(4,690,410)	(720,903)
Gross profit	758,633	758,714	1,523,521	234,161
Other income	34,410	142,681	150,704	23,163
Selling expenses	(73,418)	(90,115)	(119,889)	(18,427)
Administrative expenses	(109,698)	(288,754)	(420,235)	(64,589)
Fair value gain on investment properties	44,047	41,750	28,910	4,443
Other gains/(losses), net	81,459	392,258	11,991	1,843
Operating profit	735,433	956,534	1,175,002	180,595
Finance costs, net	(49,913)	(194,085)	(238,925)	(36,722)
Share of losses of associated companies	(11,085)	45,088	169,453	26,044
Share of loss of a joint venture	(10,445)	24,930	21,881	3,363
Profit before income tax	663,990	832,467	1,127,411	169,451
Income tax expense	(184,261)	(225,631)	(406,570)	(61,108)
Profit for the year	<u>479,729</u>	<u>606,836</u>	<u>720,841</u>	<u>108,343</u>
Other comprehensive (loss)/income:				
Translation differences which may not be subsequently recycled to profit or loss	(142,446)	(122,282)	145,300	21,839
Other comprehensive (loss)/income for the year, net of tax	(142,446)	(122,282)	145,300	21,839
Total comprehensive income for the year	<u>337,283</u>	<u>484,554</u>	<u>866,141</u>	<u>130,182</u>
Profit for the year attributable to:				
The shareholders of the Company	485,079	595,439	580,523	89,225
Non-controlling interests	(5,350)	11,397	140,318	21,566
	<u>479,729</u>	<u>606,836</u>	<u>720,841</u>	<u>110,791</u>
Total comprehensive income for the year attributable to:				
The shareholders of the Company	342,633	454,413	744,968	114,499
Non-controlling interests	(5,350)	30,141	121,173	18,624
	<u>337,283</u>	<u>484,554</u>	<u>866,141</u>	<u>133,123</u>

The year ended December 31, 2017 Compared to the year ended December 31, 2016

Revenue

Our revenue was RMB6,213.9 million (US\$955.1 million) in 2017, compared with RMB4,845.0 million in 2016, representing an increase of RMB1,368.9 million, or 28.3%, primarily due to an increase in the sale of properties in the PRC and the United States of RMB5,379.6 million (US\$826.9 million).

Sale of properties and lands

Our sale of properties and lands was RMB5,379.6 million (US\$826.8 million) in the year ended December 31, 2017, compared with RMB4,121.2 million in the year ended December 31, 2016, representing an increase of RMB1,258.3 million, or 30.5%, primarily due to the increase in the ASP for the projects and the number of projects that we delivered in the year ended December 31, 2017.

Management service fee income

Our property management fee income was RMB753.2 million (US\$115.8 million) in the year ended December 31, 2017, compared with RMB623.2 million in the year ended December 31, 2016, representing an increase of RMB130.0 million, or 20.9%, primarily due to an increase in our management services to independent third parties.

Decoration service income

Our decoration service income was RMB46.3 million (US\$7.1 million) in the year ended December 31, 2017, compared with RMB74.1 million in the year ended December 31, 2016, representing a decrease of RMB27.8 million, or 37.5%, primarily due to the decrease of decoration service provided to third parties.

Rental and management fee income

Our rental and management fee income was RMB26.5 million (US\$4.1 million) in the year ended December 31, 2017, compared with RMB26.5 million in the year ended December 31, 2016. This is primarily because there was no rental income from an unit on the second floor of our investment property, Landsea Tower, in Shenzhen, the PRC, from February to June 2017, due to improvement works performed during that period.

Cost of sales

Our cost of sales was RMB4,690.4 million (US\$720.9 million) in the year ended December 31, 2017, compared with RMB4,086.3 million in the year ended December 31, 2016, representing an increase of RMB604.1 million, or 14.8%, primarily due to the increase in our revenue and the margins of sales of properties and land which are of low gross profit.

Gross Profit

As a result of the foregoing, our gross profit was RMB1,523.5 million (US\$234.2 million) in the year ended December 31, 2017, compared with RMB758.7 million in the year ended December 31, 2016, representing an increase of RMB764.8 million, or 100.8%, from the year ended December 31, 2016 to 2017.

Gross profit margin

Our gross profit margin decreased to 24.5% in the year ended December 31, 2017 from 15.7% in the year ended December 31, 2016, primarily due to the changes in the proportion of income from traditional property sales.

Other income

Our other income was RMB150.7 million (US\$23.2 million) in the year ended December 31, 2017, compared with RMB142.7 million in the year ended December 31, 2016, representing an increase of RMB8.0 million, or 5.6%, primarily due to the increase in interest income from joint ventures and associates and an increase in interest income from non-controlling interests.

Selling expenses

Our selling expenses were RMB119.9 million (US\$18.4 million) in the year ended December 31, 2017, compared with RMB90.1 million in the year ended December 31, 2016, representing a decrease of RMB29.8 million, or 33.1%, primarily due to an decrease in our pre-sale marketing and advertising fees and sales commissions.

Administrative expenses

Our administrative expenses were RMB420.2 million (US\$64.6 million) in the year ended December 31, 2017, compared with RMB288.8 million in the year ended December 31, 2016, representing an increase of RMB131.4 million, or 45.5%, primarily due to our significant expansion of business scale as compared to last year, including the expansion into new businesses such as long-term rental apartment and significant increase in staff number.

Fair value gain on an investment property

Our fair value gain on an investment property was RMB28.9 million (US\$4.4 million) in the year ended December 31, 2017, compared with RMB41.8 million in the year ended December 31, 2016, representing a decrease of RMB12.9 million, or 30.9%, primarily due to the change in fair value of our investment property, Landsea Tower, in Shenzhen, the PRC.

Other losses/(gains), net

Our net other losses were RMB12.0 million (US\$1.8 million) in the year ended December 31, 2017, compared with the other gains of RMB392.3 million in the year ended December 31, 2016, representing a decrease of RMB380.3 million, or 96.7%, primarily due to our net exchange losses for the year 2017 which were due to the period end retranslation of RMB-denominated borrowing from RMB to HK\$ or US\$.

Finance costs

Our finance costs were RMB238.9 million (US\$36.7 million) in the year ended December 31, 2017, compared with RMB194.1 million in the year ended December 31, 2016, representing an increase of RMB44.8 million, or 23.1%, primarily due to the increase in interests payables related to certain projects of our joint ventures and associates, which were no longer consolidated and capitalized as a result of our asset-light strategy but were charged to our finance costs.

Share of gains of associates

Our share of gains were RMB169.5 million (US\$26.1 million) in the year ended December 31, 2017, compared with RMB45.1 million in the year ended December 31, 2016, primarily due to the increase in revenue from Suzhou Science and Technology Town Landsea Property Co., Ltd..

Share of losses of joint ventures

Our share of losses of joint ventures were RMB21.9 million (US\$3.4 million) in the year ended December 31, 2017, compared with RMB24.9 million in the year ended December 31, 2016, primarily due to the decrease in losses from Nanjing Langrun Property Development Company Limited.

Income tax expense

Our income tax expense was RMB406.6 million (US\$62.5 million) in the year ended December 31, 2017, compared with RMB225.6 million in the year ended December 31, 2016, representing an increase of RMB181.0 million, or 80.2%, primarily due to the significant increase in our taxable profit in 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB114.0 million, or 18.8% to RMB720.8 million in the year ended December 31, 2017.

Year ended December 31, 2016 compared to year ended December 31, 2015

Revenue

Our revenue was RMB4,845.0 million (US\$714.7 million) in 2016, compared with RMB1,792.8 million in 2015, representing an increase of 63.0%, primarily due to an increase in the sale of properties in the PRC of RMB2,959.2 million.

Sale of properties

Our sale of properties was RMB4,121.2 million (US\$607.9 million) in 2016, compared with RMB930.2 million in 2015, representing an increase of RMB3,191.0 million, or 343.0%, primarily due to the increase in the ASP for the projects and the number of projects that we delivered in 2016.

Management service fee income

Our management fee income was RMB623.2 million (US\$91.9 million) in 2016, compared with RMB801.6 million in 2015, representing a decrease of RMB178.4 million, or 22.3%, primarily due to a decrease in management services income to RMB70.0 million from Landsea Group.

Decoration service income

Our decoration service income was RMB74.1 million (US\$10.9 million) in 2016, compared with RMB34.9 million in 2015, representing an increase of RMB39.2 million, or 112.3%, primarily due to the increase from our decoration services to our joint ventures and associates.

Rental and management fee income

Our rental and management fee income was RMB26.5 million (US\$3.9 million) in 2016, compared with RMB26.1 million in 2015, representing a slight increase of RMB0.4 million, or 1.5%, primarily due to nearly 100% occupancy rate of Dawning Tower.

Cost of sales

Our cost of sales was RMB4,086.3 million (US\$602.8 million) in 2016, compared with RMB1,034.2 million in 2015, representing an increase of RMB3,052.1 million, or 295.1%, primarily due to the increase in properties delivered in 2016.

Gross Profit

As a result of the foregoing, our gross profit was RMB758.7 million (US\$111.9 million) in 2016, compared with RMB758.6 million in 2015, representing a slight increase of RMB0.1 million, from 2015 to 2016.

Gross profit margin

Our gross profit margin decreased to 15.7% in 2016 from 42.3% in 2015, primarily due to a significant increase in the cost of sales in 2016 in relation to our property and construction costs, land acquisition costs and capitalized finance costs.

Other income

Our other income was RMB142.7 million (US\$21.0 million) in 2016, compared with RMB34.4 million in 2015, representing an increase of RMB108.3 million, or 314.8%, primarily due to (i) the increase in interest income from amounts due from joint ventures and associates and (ii) an interest income from a loan with an annual interest rate of 4.35% to our indirect non-wholly owned subsidiary, Suzhou Langkun Property Limited (“Suzhou Langkun”), on a pro-rata basis according to our respective shareholding interest in Suzhou Langkun, which had an amount due of RMB558.0 million as of December 31, 2016.

Selling expenses

Our selling expenses were RMB90.1 million (US\$13.3 million) in 2016, compared with RMB73.4 million in 2015, representing an increase of RMB16.7 million, or 22.7%, primarily due to the increase in the number of our on-sale projects in 2016.

Administrative expenses

Our administrative expenses were RMB288.8 million (US\$42.6 million), in 2016, compared with RMB109.7 million in 2015, representing an increase of RMB179.1 million, or 163.2%, primarily due to the increase in the number of our staff, and the increase in administrative expenses related to the consolidation of our US business into the Group, including expenses for the deployment of certain personnel for the US office and US projects that were under development.

Fair value gain on an investment property

Our fair value gain on an investment property was RMB41.8 million (US\$6.2 million) in 2016, compared with RMB44.0 million in 2015, representing a decrease of RMB2.3 million, or 5.2%, primarily due to a slight decrease in rental yield.

Other gains, net

Our net other gains were RMB392.3 million (US\$57.9 million) in 2016, compared with RMB81.5 million in 2015, representing an increase of RMB310.8 million, or 381.3%, primarily due to (i) a decrease in the exchange rate of Hong Kong dollars against Renminbi and (ii) the disposal of certain interests in several of our wholly-owned subsidiaries.

Finance costs

Our finance costs were RMB194.1 million (US\$28.6 million) in 2016, compared with RMB49.9 million in 2015, representing an increase of RMB144.2 million, or 289.0%, primarily due to an increase in the interests payables related to certain projects of our joint ventures and associates, which were no longer consolidated and capitalized as a result of our asset-light strategy but were charged to our finance costs.

Share of gains/(losses) of associates

Our share of gains were RMB45.1 million (US\$6.6 million) in 2016, compared with a share of losses of RMB11.1 million in 2015, primarily due to the gains from certain delivered projects of Hangzhou Wanye Property Co., Ltd. and Nanjing Merchant Xingsheng Property Development Co., Ltd..

Share of gains/(losses) of joint ventures

Our share of gains of joint ventures were RMB24.9 million (US\$3.7 million) in 2016, compared with a share of losses of RMB10.4 million in 2015, primarily due to the gains from certain delivered projects of Nanjing Langrun Property Development Company Limited and Suzhou Langhong Property Limited.

Income tax expense

Our income tax expense was RMB225.6 million (US\$33.3 million) in 2016, compared with RMB184.3 million in 2015, representing an increase of RMB41.3 million, or 22.4%, primarily due to the increase in the in profit before tax for our subsidiaries in the PRC.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB127.1 million, or 26.5% to RMB606.8 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth our net cash flow for the periods indicated:

	For the year ended December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	(Restated) ⁽¹⁾			(Unaudited)
Net cash generated from operating activities . . .	1,462,056	1,793,175	631,998	97,136
Net cash used in investing activities	(1,125,983)	(1,302,510)	(1,875,739)	(288,296)
Net cash generated from financing activities . . .	255,714	987,564	1,795,415	275,950
Net (decrease)/increase in cash and cash equivalents	591,787	1,478,229	551,674	84,791
Cash and cash equivalents at beginning of year	672,849	1,262,269	2,761,130	424,378
Cash and cash equivalents at the end of the year	<u>1,262,269</u>	<u>2,761,130</u>	<u>3,341,835</u>	<u>513,631</u>

Note:

- (1) We acquired the entire interest in Epic China Limited from a shareholder on January 29, 2016 at a consideration of RMB718,940,633. One of our wholly owned subsidiaries, Shanghai GR and Management Co., Ltd., acquired the entire interest of Shanghai Landsea Planning and Architectural Design Co., Ltd. from a fellow subsidiary on January 29, 2016 for an aggregate consideration of RMB19,500,000. These acquisitions are considered as a business combination involving entities under common control and have been accounted for by using merger accounting method and as a result, the consolidated statement of cash flows was restated in the audited consolidated financial statements as of and for the year ended December 31, 2016 to include the results of the combining entities as of December 31, 2015. For more information, see Note 2 to our consolidated financial statements as of and for the year ended December 31, 2016 included in this offering memorandum.

Cash flows generated from operating activities

We generate cash flow from operating activities primarily from the proceeds from our property sales, including pre-sales of properties under development, and payables from creditors and accruals. We primarily use cash in operating activities for property developments and deposits for purchase of land.

Net cash generated from operating activities was RMB632.0 million (US\$97.1 million) in the year ended December 31, 2017, which was primarily due to net cash generated from operations of RMB1,532.0 million (US\$235.5 million), partially offset by (i) tax paid of RMB401.1 million (US\$61.6 million) and (ii) interest paid of RMB415.0 million (US\$63.8 million). Cash generated from operations prior to changes in working capital was RMB875.0 million (US\$134.5 million). Changes in working capital contributed to a net cash inflow of RMB8,573.2 million (US\$1,317.7 million), primarily attribute to (i) a decrease in properties under development of RMB1,430.0 million (US\$219.8 million), (ii) an increase in creditors and accruals of RMB1,394.2 million (US\$214.3 million), and (iii) an increase in amount due to related parties of RMB1,019.4 million (US\$156.7 million), partially offset by (i) an increase in amount due from related parties of RMB1,223.8 million (US\$188.1 million), (ii) a decrease in advanced proceeds received from customers of RMB873.7 million (US\$134.3 million), and (iii) increase in trade receivables of RMB461.8 million (US\$70.9 million).

Net cash generated from operating activities was RMB1,793.2 million (US\$264.5 million) in 2016, which was primarily due to net cash generated in operations of RMB2,411.6 million, partially offset by (i) income tax paid of RMB268.8 million, (ii) interest paid of RMB233.5 million and (iii) PRC LAT and other tax prepaid of RMB116.1 million. Cash generated from operations prior to changes in working capital was RMB761.7 million. Changes in working capital contributed to a net cash inflow of RMB1,649.9 million, primarily attributable to (i) an increase in advanced proceeds received from customers of RMB1,943.0 million, (ii) an increase in payables from creditors and accruals of RMB1,567.6 million and (iii) a decrease in deposits for purchase of land of RMB687.3 million, partially offset by (i) an increase in properties under development of RMB1,220.8 million, (ii) an increase in other receivables, prepayments and deposits of RMB905.4 million and (iii) an increase in properties held for sale of RMB223.3 million.

Net cash generated from operating activities was RMB1,462.1 million in 2015, which was primarily due to net cash generated from operations of RMB 1,990.2 million, partially offset by (i) paid interest of RMB326.7 million, (ii) PRC LAT and other tax prepaid of RMB120.7 million and (iii) income tax paid of RMB80.7 million. Cash generated from operations prior to changes in working capital was RMB682.1 million. Changes in working capital contributed to a net cash inflow of RMB1,545.7 million, primarily attributable to (i) an increase in advanced proceeds received from customers of RMB2,453.6 million, (ii) a decrease in restricted cash of RMB1,322.1 million and (iii) an increase in payable from creditors and accruals of RMB266.1 million, partially offset by (i) an increase in properties under development of RMB1,573.5 million, (ii) an increase in deposits for purchase of land of RMB729.3 million and (iii) an increase in other receivables, prepayments and deposits of RMB220.3 million.

Investing Activities

Our net cash used in investing activities was RMB1,875.7 million (US\$288.3 million) in the year ended December 31, 2017, primarily attributable to (i) payments for acquisitions of subsidiaries of RMB946.6 million (US\$299.2 million), (ii) an increase in interests in joint ventures of RMB1,000.4 million (US\$153.8 million), (iii) Purchases of property, plant and equipment of RMB646.8 million (US\$99.4 million), partially offset by collection of funding to related parties of RMB1,278.3 million (US\$196.5 million) and proceeds from disposal of subsidiaries (net of cash and cash equivalents) of RMB776.2 million (US\$119.3 million).

Our net cash used in investing activities was RMB1,302.5 million (US\$192.1 million) in 2016, primarily attributable to (i) payments for acquisitions of subsidiaries of RMB1,686.0 million (US\$248.7 million), (ii) an increase in amount due from non-controlling interests of RMB558.0 million (US\$82.3 million), (iii) an increase in other receivables, prepayments and deposits of RMB338.3 million (US\$49.9 million) and (iv) an increase in interests in associates of RMB324.9 million (US\$47.9 million), partially offset by a decrease in amounts due from related parties of RMB1,421.0 million (US\$209.6 million) and proceeds from disposal of subsidiaries (net of cash and cash equivalents) of RMB312.6 million (US\$46.1 million).

Our net cash used in investing activities was RMB1,126.0 million in 2015, primarily attributable to (i) an increase in amounts due from related parties of RMB1,136.9 million, (ii) an increase in interests in joint venture of RMB219.3 million and (iii) an increase in interests in associates of RMB217.9 million, partially offset by proceeds from disposal of our subsidiaries, net of cash and cash equivalents, of RMB438.2 million and interest received by us of RMB16.3 million.

Financing Activities

Our net cash generated from financing activities was RMB1,795.4 million (US\$275.9 million) in the year ended December 31, 2017, primarily attributable to proceeds from borrowings of RMB2,887.0 million (US\$443.7 million) and proceeds from related parties of RMB2,080.0 million (US\$319.7 million), partially offset by repayment of borrowings of RMB2,319.1 million (US\$356.4 million) and repayment to related parties of RMB453.2 million (US\$69.7 million).

Our net cash generated from financing activities was RMB987.6 million (US\$145.7 million) in 2016, primarily attributable to proceeds from borrowings of RMB4,579.7 million (US\$675.5 million) and the increase in amounts due to related parties of RMB1,533.6 million (US\$226.2 million), partially offset by repayment of borrowings of RMB4,315.2 million (US\$636.5 million) and repayment of issuance of the 2014 Private Notes of RMB667.8 million (US\$98.5 million).

Our net cash generated from financing activities was RMB255.7 million in 2015, primarily attributable to (i) proceeds from borrowing of RMB2,920.3 million, (ii) proceeds from issuance of the 2015 Private Notes and (iii) the increase in amounts due to related parties of RMB463.6 million, partially offset by repayment of borrowings of RMB3,556.5 million and the decrease in amounts due to non-controlling interests of RMB303.3 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

The following table sets forth a breakdown of our secured bank and other borrowings as of the dates indicated by maturity:

	As of December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Indebtedness by maturity:				
Within one year	1,111,117	1,267,990	2,174,458	334,208
Between one and two years	3,138,401	2,022,747	188,019	28,898
Over two years	2,636,838	2,792,604	3,066,938	471,380
	<u>6,886,356</u>	<u>6,083,341</u>	<u>5,429,415</u>	<u>834,486</u>

The following table sets forth a breakdown of our secured bank and other borrowings as of the dates indicated by type:

	As of December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Loans from the ultimate holding company	1,819,523	1,662,177	1,665,000	255,905.8
Bank borrowings:				
in RMB	3,185,000	2,852,685	1,447,900	222,538
in US\$.	80,170	212,131	217,888	33,489
in HK\$	194,721	208,912	230,708	35,459
Sell and buyback arrangement (in USD)	—	—	270,345	41,551
Senior private notes in US\$	1,251,308	685,457	659,534	101,369
Junior private notes in US\$	294,000	309,000	—	—
EB-5 loans in US\$	61,634	152,979	521,334	80,128
Loan under asset management scheme	—	—	326,706	50,214
Discounted bank accepted note	—	—	90,000	13,833
Total	<u>6,886,356</u>	<u>6,083,341</u>	<u>5,429,415</u>	<u>834,486</u>
Less: short-term borrowings and current portion of long-term borrowings	<u>(1,111,117)</u>	<u>(1,267,990)</u>	<u>(2,174,458)</u>	<u>(334,208)</u>
Non-current portion of borrowings	<u>5,775,239</u>	<u>4,815,351</u>	<u>3,254,957</u>	<u>500,278</u>

Our bank borrowings consist of long-term and short-term loans by us and our subsidiaries from banks in the PRC, the United States and Hong Kong. Our bank borrowings carry interest ranging from 2.46% to 8.00% per annum and certain of our bank borrowings and other borrowings are secured by, among others, guarantees from our ultimate holding company, restricted cash, properties held for sale owned by subsidiaries of the ultimate holding company, property under development, equity interest of certain subsidiaries of the Company and investment property. For more details on the bank borrowings, see “Description of Material Indebtedness and Other Obligations — PRC Loan Agreements” and “Description of Material Indebtedness and Other Obligations — Offshore Facility Agreements.” We maintain stable long-term relationships with various financial institutions, such as Bank of China, Agricultural Bank of China, Pingan Bank, Industrial and Commercial Bank of China, Bank of Jiangsu, China Jianshang Bank, China Minsheng Bank and China Construction Bank.

Our other borrowings mainly consist of the senior private notes which include the 2014 Private Notes and 2015 Private Notes, the interest-free junior private note due 2017 that is guaranteed by our leasehold land and development expenditures, trust financing agreement with trust companies and loans from our ultimate holding company. The 2014 Private Notes have been fully redeemed by us in 2016. For more details on these borrowings, see “Description of Material Indebtedness and Other Obligations

— The 2015 Private Notes,” and “Description of Material Indebtedness and Other Obligations — PRC Loan Agreements,” and “Description of Material Indebtedness and Other Obligations — Offshore Facility Agreements.”

Contingent liabilities

We entered into agreements with various financial institutions to provide mortgage loan facilities to our customers to purchase our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for such mortgages are generally discharged at the earlier of: (i) registration of mortgage interest to the bank, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan with any accrued and unpaid interest and penalty based on the loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with the industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee. As of December 31, 2015, 2016 and 2017, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB1,350.0 million, RMB2,649.0 million and RMB2,140.6 million (US\$329.0 million), respectively.

In addition to guarantees we provided in respect of mortgage facilities to our customers, as of December 31, 2017, we provided a guarantee of RMB230.3 million (US\$35.4 million) to a subsidiary of our joint venture, LS-Boston Point LLC, for the joint venture, Fenway Ventures Point Properties LLC’s bank borrowings. As of December 31, 2017, certain of our subsidiaries provided corporate guarantees to each other in respect of their borrowings. We believe that our subsidiaries have sufficient financial resources to fulfill their obligations under these borrowings.

Commitments

In 2015, 2016 and 2017, our contractual commitments consisted of primarily of capital commitments we made in relation to purchase of leasehold land and development expenditure, including construction cost design fees and consultation fees.

Capital commitments

Our capital commitments primarily relate to the development costs. We had the following capital commitments as of the dates indicated:

	As of December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	(Restated)			(Unaudited)
Authorized but not contracted for:				
Development expenditure.	—	2,157,049	864,765	132,912
Contracted but not provided for:				
Development expenditure.	—	1,909,406	1,534,328	235,832
Purchase of leasehold land payments.	512,500	—	854,724	131,369
Renovation expenditure.	—	—	84,527	12,992

MARKET RISK

We are exposed to various types of market risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk in the normal course of our business.

Interest rate risk

We have no significant interest-bearing assets and liabilities other than our bank deposits and borrowings. Borrowings at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed rates expose us to fair value interest rate risk.

We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently do not use any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits.

Foreign currency risk

We and our subsidiaries mainly operate in the PRC, the United States and Hong Kong and most of our transactions are denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively. RMB is currently not a freely convertible currency. The PRC government controls the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Accordingly, our foreign currency risk mainly arises from our and our U.S. subsidiaries' certain borrowings and other current liabilities that are denominated in Renminbi. We recognize foreign exchange gain or loss on our statement of comprehensive income due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. We did not enter into forward exchange contracts to hedge our exposure to foreign exchange risk.

Credit risk

We do not have concentrations on credit risk and our cash transactions are limited to high credit quality institutions. Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash and trade and other receivables shown in the consolidated balance sheets. As of December 31, 2015, 2016 and 2017, substantially all our bank deposits were placed with major financial institutions in the PRC, which we believe are of high credit quality without significant credit risk. For the trade receivables arising from sales of properties, we manage the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loan financing procedures before delivery of properties unless strong credit records of the purchasers could be established. We closely monitor the collection of progress payments from the purchasers in accordance with payment schedule agreed with customers and have policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate amount of down-payments. Meanwhile, we have the right to cancel the contracts if the purchasers are in default of payment obligations. We also have monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. We have no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers. We have provided guarantees to secure obligations of purchasers of our properties under their mortgage loans. See the section headed “-Indebtedness and Contingent Liabilities-Contingent Liabilities” for detailed disclosure of such guarantees. For other receivables, we assess the credit quality of the counter parties by taking into account their financial position, credit history and other factors. We also regularly review the recoverability of these receivables and follow up the disputes or amounts overdue, if any. We believe that the risk of default by our counter parties is low.

Liquidity risk

Our primary cash requirements have been for the payments for property development projects and operating expenses. We finance our working capital requirements mainly through internal resources and borrowings from shareholders and banks.

We monitor our current and expected liquidity requirements with the objective of ensuring that it maintains sufficient cash balances and adequate credit facilities to meet our liquidity requirements. See “— Indebtedness and Contingent Liabilities — Indebtedness” for more details on our borrowings.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refer to our profit before the following items:

- finance costs;
- interest expense previously capitalized;
- fair value gain on investment properties;
- net exchange gains/(losses);
- gain on disposal of subsidiary/joint venture;
- income tax expense; and
- depreciation.

EBITDA is not a standard measure under HKFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

As a measure of our operating performance, we believe that the most directly comparable HKFRS measure to EBITDA is profit for the year. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit for the year under HKFRS to our definition of EBITDA for the years indicated.

	Year ended December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Profit for the year	479,729	606,836	720,841	108,343
Adjustment				
Income tax expense	184,261	225,631	406,570	61,108
Finance costs	49,913	194,085	238,925	36,722
Interest expense previously capitalized	91,041	243,153	219,241	33,697
Net exchange gains/(losses)	(80,506)	(226,898)	270,320	41,547
Fair value gain on investment properties	(44,047)	(41,750)	(28,910)	(4,443)
Gain on disposal of subsidiary/joint venture	(235)	(165,304)	(286,227)	(43,992)
Depreciation	1,514	12,417	11,258	1,730
EBITDA	<u>681,670</u>	<u>848,170</u>	<u>1,552,018</u>	<u>234,712</u>

INDUSTRY OVERVIEW

Unless otherwise specified, the information set forth in this section has been extracted, in part, from various official government publications. Such information has not been independently verified by us, the Initial Purchasers, or any of our and their affiliates or advisors. The information may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC.

OVERVIEW OF THE PRC ECONOMY REVIEW OF THE PRC ECONOMY

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's GDP increased from approximately RMB9,921 billion in 2000 to approximately RMB74,413 billion in 2016, reflecting a CAGR of approximately 13.4%.

The table below sets out selected economic statistics for China for the years indicated.

Economic statistics of the PRC

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nominal GDP (RMB billion)	21,944	27,023	31,952	34,090	41,303	48,930	54,037	59,524	64,397	68,905	74,413
Real GDP growth rate	12.7%	14.2%	9.7%	9.4%	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%	6.7%
Per capita GDP (RMB)	16,738	20,505	24,121	26,222	30,876	36,403	40,007	43,852	47,203	49,229	53,980
Total investment in fixed assets (RMB billion)	11,000	13,732	17,283	22,460	25,168	31,149	37,468	44,629	51,202	56,200	60,647

Source: National Bureau of Statistics of China, MOFCOM

Notes:

- (1) CAGR refers to compound annual growth rate
- (2) NA means not applicable
- (3) NA means not available

During each of the years from 2004 to 2007, the PRC's real GDP recorded double-digit growth. In 2008, the global economic crisis caused a slowdown in the global capital and credit markets as well as the world economy, which in turn adversely affected the domestic market in the PRC, including our target cities. In 2008, the PRC's real GDP growth declined significantly to 9.7% compared to 14.2% in 2007. In view of the negative impact of the global economic crisis on the PRC economy, the PRC government launched a RMB4 trillion economic stimulus plan in November 2008. Since the inception of the economic stimulus plan, the PRC stock market has shown signs of recovery. Stock prices of companies in sectors such as real estate, construction, raw materials, machinery and energy have generally increased. In addition, the economic stimulus plan has had a positive impact on domestic consumption and demand in the PRC.

By the end of 2009, it appeared that the PRC economy was showing signs of recovery. By 2010, real GDP growth of the PRC climbed back to the double-digit growth rate with 10.6%. The PRC was poised to move from export dependency to development of an internal market. In mid-2010, the PRC became the world's second largest economy, surpassing Japan's economy and second only to the U.S. economy. In the second quarter of 2010, the PRC's economy was valued at US\$1.33 trillion, as compared with the Japan's economy at US\$1.28 trillion. Despite the fact that its real GDP slowed down to 9.5% in 2011, the PRC remained one of the fastest growing economies in the world.

Currently, the Chinese economy is undergoing a transition from investment-driven economy to a consumption-driven one. Its GDP growth rate fell below 7% in 2015, which is the first time since 2009. The economy is targeted to grow at 6.5% in 2017.

THE PRC PROPERTY MARKET

Overview

We believe the economic growth of the PRC, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of the PRC's property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents who will own private properties will continue to increase over the coming years in the near future. According to the National Bureau of Statistics of China, the PRC's urbanization rate, i.e., the proportion of the population residing in urban areas, rose from approximately 44.9% in 2007 to approximately 57.3% in 2016. Increases in the urban population of the PRC will likely result in increases in demand for residential properties. The table below describes the PRC's urbanization rate for the years indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Urban population (million)	593.8	606.7	621.9	665.6	690.8	711.8	731.1	749.2	771.2	793.0
Total population (million)	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7
Urbanization rate (%)	44.9	45.7	46.6	49.7	51.3	52.6	53.7	54.8	56.1	57.3

Source: National Bureau of Statistics of China

Property price and supply

Supply of properties in the PRC also increased from approximately 606.1 million sq.m. in 2007 to approximately 1,061.3 million sq.m. in 2016.

The table below sets out selected data relating to the PRC property market for the years indicated:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total GFA completed (million sq.m.)	606.1	665.4	726.8	787.4	926.2	994.3	1,014.4	1,074.6	1,000.4	1,061.3
Total GFA sold (million sq.m.)	773.6	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,285.0	1,573.5
GFA of residential properties sold (million sq.m.)	701.4	592.8	861.9	933.7	965.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4
Average price of commodity properties (RMB per sq.m.)	3,864	3,800	4,681	5,032	5,357	5,709	6,237	6,323	6,793	7,476
Average price of residential properties (RMB per sq.m.)	3,645	3,576	4,459	4,725	4,993	5,430	5,850	5,932	6,473	7,203

Source: National Bureau of Statistics of China

The total GFA sold was different from the total GFA completed in the years indicated because of the difference in timing of completion and sales of properties. Total GFA completed and GFA of residential properties sold increased from approximately 606.1 million sq.m. and 701.4 million sq.m. in 2007 to approximately 1,061.3 million sq.m. and 1,375.4 million sq.m. in 2016 due to continuation of urbanization and hence construction and sales of residential units.

The average price of commodity properties sold in the PRC increased from RMB3,864 per sq.m. in 2007 to RMB7,475.6 per sq.m. in 2016, while the average price of residential properties sold increased from RMB3,645 per sq.m. to RMB7,202.6 per sq.m. during the same period.

Key real estate reforms and policies in the PRC

For details of recent real estate reforms and recent regulatory developments, please refer to the section headed "Laws and Regulations — Regulations on the Real Estate Project Development" in this prospectus.

REAL ESTATE INDUSTRY IN OUR MAIN TARGET CITIES

Changsha

Changsha is the capital city of Hunan Province and is a major port, handling rice, cotton, timber and livestock. Being the distribution point on the railway from Hankou to Guangzhou, it is also a commercial and industrial center in south central China.

According to the Changsha Municipal Bureau of Statistics, Changsha had a population of approximately 7.6 million at the end of 2016. In 2016, its GDP reached approximately RMB932 billion. The table below sets forth selected economic indicators relating to Changsha for the years indicated.

Changsha economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Changsha	China
GDP (RMB billion)	219	300	374	455	562	640	715	782	851	932	17.5%	12.1%
GDP per capita (RMB)	33,711	45,765	56,620	69,941	79,530	89,903	99,570	107,683	115,443	123,681	15.5%	11.6%
Disposable income for urban households (RMB)	16,153	18,282	20,238	22,814	26,451	30,288	33,662	36,826	39,961	43,294	11.6%	10.4%

Source: Changsha Municipal Bureau of Statistics

According to the Changsha Municipal Bureau of Statistics in 2015 and 2016, residential properties with a total GFA of approximately 9.5 million sq.m. and 11.1 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 16.9 million sq.m. and 23.1 million sq.m., respectively, were sold in Changsha. The average selling price per sq.m. in 2016 was RMB6,160.

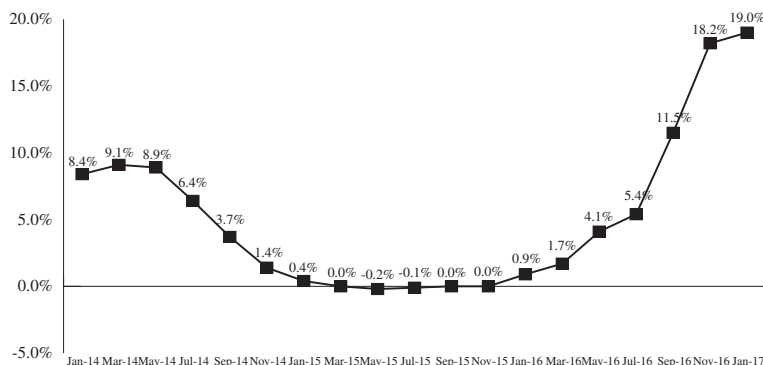
Changsha property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Residential properties											
GFA Completed ('000 sq.m.)		5,831	6,429	11,046	11,613	11,637	11,310	10,676	10,423	9,495	11,060
GFA under construction ('000 sq.m.)		25,999	35,779	50,985	54,466	59,608	53,310	61,117	65,628	62,028	62,158
GFA sold ('000 sq.m.)		9,285	8,023	13,580	16,240	13,942	13,853	16,595	13,314	16,871	23,082
Average price (RMB/sq.m.)		3,191	3,165	3,533	4,322	5,481	5,603	5,759	5,458	5,544	6,160

Source: Changsha Municipal Bureau of Statistics

The sales price of residential properties in Changsha has continued to increase but the growth rate has slowed down in recent years. The following chart shows the changes in Changsha new residential housing price as compared to 2014 and 2015 price level.

Changsha new residential housing price as compared to 2014 and 2015 price level



Hefei

Hefei is the capital of Anhui Province in Eastern China. Due to its central location relative to the Eastern regions, it is a major railroad hub and a regional hub for industrial production in Anhui Province.

According to the Hefei Municipal Bureau of Statistics, Hefei had a population of approximately 7.9 million at the end of 2016. In 2016, its GDP reached approximately RMB627 billion, representing a per capita GDP of RMB80,136. The table below sets forth selected economic indicators relating to Hefei for the years indicated.

Hefei economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Hefei	China
GDP (RMB billion)	133	166	210	270	364	416	467	516	566	627	18.1%	12.1%
GDP per capita (RMB)	28,125	34,482	41,543	47,392	48,563	55,186	61,555	67,394	73,102	80,136	12.3%	11.6%
Disposable income for urban households (RMB)	13,427	15,591	17,158	19,051	22,459	25,434	28,083	29,348	31,989	34,852	11.2%	10.4%

Source: Jiujiang Municipal Bureau of Statistics

According to the Hefei Municipal Bureau of Statistics, in 2015 and 2016, residential properties with a total GFA of approximately 7.1 million sq.m. and 8.6 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 12.9 million sq.m. and 17.1 million sq.m., respectively, were sold in Hefei. The average selling price per sq.m. in 2016 was RMB9,312.

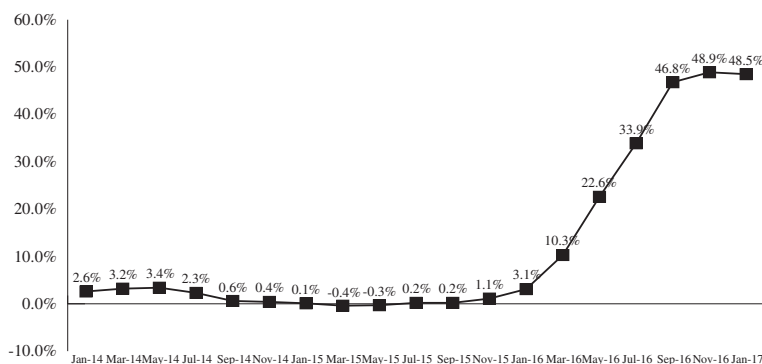
Hefei property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Residential properties											
GFA Completed ('000 sq.m.)		5,121	4,634	4,777	5,794	6,642	7,253	10,723	7,007	7,095	8,606
GFA under construction ('000 sq.m.)		33,579	38,149	44,323	51,797	41,199	42,359	46,798	44,856	43,264	46,804
GFA sold ('000 sq.m.)		9,392	8,674	11,803	8,639	10,584	11,173	14,517	13,262	12,859	17,057
Average price (RMB/sq.m.)		3,154	3,425	4,095	5,502	5,608	5,754	6,084	6,917	7,512	9,312

Source: Hefei Municipal Bureau of Statistics

The following chart shows the changes in Hefei new residential housing price as compared to 2014 and 2015 price level.

Hefei new residential housing price as compared to 2014 and 2015 price level



Wuhan

Wuhan is the capital of Hubei Province in Central China. Historically, Wuhan has become a commerce center since Sui Dynasty. Today, Wuhan is one of the most important industrial center, transportation hub and education base in China.

According to the Wuhan Municipal Bureau of Statistics, Wuhan had a population of approximately 10.8 million at the end of 2016. In 2016, its GDP reached approximately RMB1,191 billion, representing a per capita GDP of RMB111,469. The table below sets forth selected economic indicators relating to Wuhan for the years indicated.

Wuhan economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Wuhan	China
GDP (RMB billion)	314	396	456	552	676	800	905	1,007	1,091	1,191	16.0%	12.1%
GDP per capita (RMB)	35,258	44,148	50,117	56,310	67,427	79,089	88,564	97,403	104,132	111,469	13.6%	11.6%
Disposable income for urban households (RMB)	14,358	16,712	18,385	20,806	23,738	27,061	29,821	33,270	36,436	39,737	12.0%	10.4%

Source: Wuhan Municipal Bureau of Statistics

According to the Wuhan Municipal Bureau of Statistics in 2015 and 2016, residential properties with a total GFA of approximately 6.5 million sq.m. and 6.0 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 24.1 million sq.m. and 29.3 million sq.m., respectively, were sold in Wuhan. The average selling price per sq.m. in 2016 was RMB9,819.

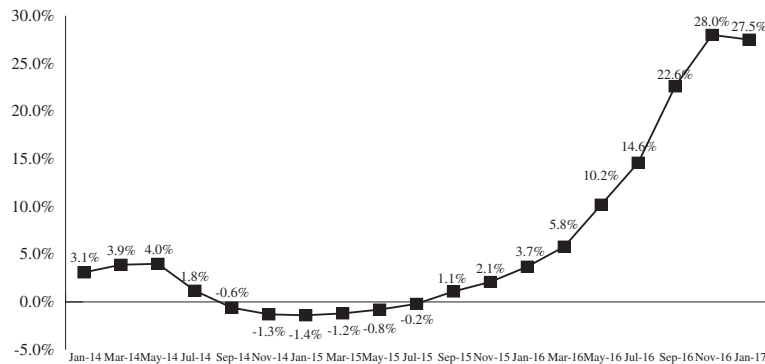
Wuhan property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Residential properties											
GFA Completed ('000 sq.m.)		8,116	7,682	8,246	7,335	9,692	9,009	5,297	6,460	6,546	6,001
GFA under construction ('000 sq.m.)		26,596	32,221	35,810	38,117	44,895	50,690	62,257	73,054	79,744	83,348
GFA sold ('000 sq.m.)		10,699	6,832	10,414	10,915	11,822	13,905	17,504	19,790	24,138	29,311
Average price (RMB/sq.m.)		4,516	4,680	5,199	5,552	6,676	6,895	7,238	7,399	8,404	9,819

Source: Wuhan Municipal Bureau of Statistics

The following chart shows the changes in Wuhan new residential housing price as compared to 2014 and 2015 price level.

Wuhan new residential housing price as compared to 2014 and 2015 price level



Shanghai

Shanghai is the biggest finance center in China, also one of the most populous city in the world. For centuries, Shanghai has played an important role in China as a shipping and trading town. In 1990s, Pudong Development Policy boosted Shanghai's economy, and in 2013, Shanghai became the first free trade zone in mainland China.

According to the Shanghai Municipal Bureau of Statistics, Shanghai had a population of approximately 24.2 million at the end of 2016. In 2016, its GDP reached approximately RMB2,747 billion, representing a per capita GDP of RMB113,731. The table below sets forth selected economic indicators relating to Shanghai for the years indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Shanghai	China
GDP (RMB billion)	1,200	1,370	1,490	1,687	1,920	2,010	2,160	2,356	2,496	2,747	9.6%	12.1%
GDP per capita (RMB)	64,592	72,536	77,556	73,297	81,772	84,444	89,444	97,131	103,363	113,731	6.5%	11.6%
Disposable income for urban households (RMB)	23,623	26,675	28,838	31,838	36,230	40,188	43,851	47,710	49,867	54,305	9.7%	10.4%

Source: Shanghai Municipal Bureau of Statistics, National Bureau of Statistics

According to the National Bureau of Statistics in 2015 and 2016, residential properties with a total GFA of approximately 15.9 million sq.m. and 15.3 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 20.1 million sq.m. and 20.2 million sq.m., respectively, were sold in Shanghai. The average selling price per sq.m. in 2016 was RMB25,910.

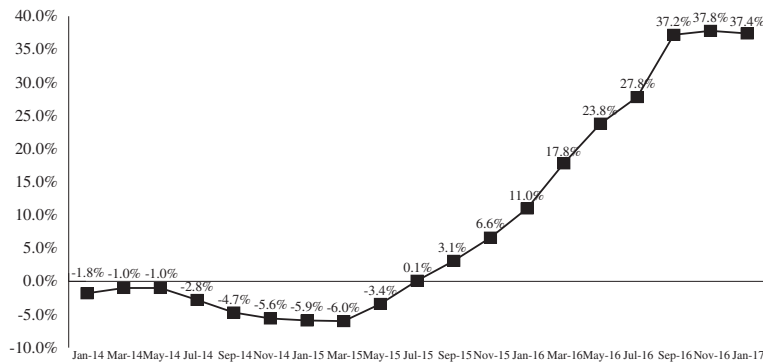
Shanghai Residential properties

Residential properties	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GFA Completed ('000 sq.m.)		28,436	18,994	15,221	14,154	15,497	16,091	14,174	15,355	15,329
GFA under construction ('000 sq.m.)		77,899	70,602	65,812	73,441	83,863	83,157	81,255	85,259	80,739
GFA sold ('000 sq.m.)		32,792	19,659	29,280	16,854	14,737	15,926	20,158	17,809	20,198
Average price (RMB/sq.m.)		8,253	8,182	12,364	14,213	13,448	13,870	16,192	19,650	21,501

Source: National Bureau of Statistics

The following chart shows the changes in Shanghai new residential housing price as compared to 2014 and 2015 price level.

Shanghai new residential housing price as compared to 2014 and 2015 price level



Suzhou

Suzhou, a city west of Shanghai, is known for its canals, bridges and classical gardens. Today, Suzhou is one of the most important business hub and logistic center in Yangtze River Delta region.

According to the Suzhou Municipal Bureau of Statistics, Suzhou had a population of approximately 6.8 million at the end of 2016. In 2016, its GDP reached approximately RMB1,548 billion, representing a per capita GDP of RMB136,300. The table below sets forth selected economic indicators relating to Suzhou for the years indicated.

Suzhou economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Suzhou	China
GDP (RMB billion)	570	670	774	923	1,050	1,201	1,302	1,376	1,450	1,548	11.4%	12.1%
GDP per capita (RMB)	64,617	73,395	82,604	88,159	102,129	114,029	123,200	130,000	136,300	145,556	8.6%	11.6%
Disposable income for urban households (RMB)	21,260	23,862	26,320	29,219	33,070	37,531	41,143	46,677	50,400	54,341	11.0%	10.4%

Source: Suzhou Municipal Bureau of Statistics

According to the Suzhou Municipal Bureau of Statistics in 2015 and 2016, residential properties with a total GFA of approximately 12.7 million sq.m. and 14.0 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 19.4 million sq.m. and 22.6 million sq.m., respectively, were sold in Suzhou. The average selling price per sq.m. in 2016 was RMB13,596.

Suzhou Residential properties

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Residential properties											
GFA Completed ('000 sq.m.)		25,251	12,295	15,094	12,215	11,024	13,862	12,275	11,294	12,746	14,028
GFA under construction ('000 sq.m.)		N/A	N/A	N/A	58,181	58,417	60,494	68,559	76,524	79,386	85,547
GFA sold ('000 sq.m.)		N/A	N/A	N/A	11,829	9,835	12,631	16,334	14,461	19,409	22,586
Average price (RMB/sq.m.)		N/A	N/A	N/A	8,213	9,028	8,980	9,479	9,639	10,335	13,596

Source: Suzhou Municipal Bureau of Statistics

Nanjing

Nanjing is the capital of Jiangsu province. Situated in the heartland of Yangtze River Delta, it has been a major center of culture, education, research, economy and tourism.

According to the Nanjing Municipal Bureau of Statistics, Nanjing had a population of approximately 8.3 million at the end of 2016. In 2016, its GDP reached approximately RMB1,050 billion, representing a per capita GDP of RMB127,264. The table below sets forth selected economic indicators relating to Nanjing for the years indicated.

Nanjing economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Nanjing	China
GDP (RMB billion)	328	378	423	501	615	720	801	882	972	1,050	13.6%	12.1%
GDP per capita (RMB)	44,852	50,327	52,290	62,594	75,785	88,525	98,011	107,545	118,171	127,264	12.0%	11.6%
Disposable income for urban households (RMB)	20,317	23,123	25,504	28,312	32,200	36,322	39,881	42,568	46,104	49,997	10.5%	10.4%

Source: Nanjing Municipal Bureau of Statistics

According to the Nanjing Municipal Bureau of Statistics in 2015 and 2016, residential properties with a total GFA of approximately 10.6 million sq.m. and 9.1 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 14.3 million sq.m. and 14.1 million sq.m., respectively, were sold in Nanjing. The average selling price per sq.m. in 2016 was RMB17,884.

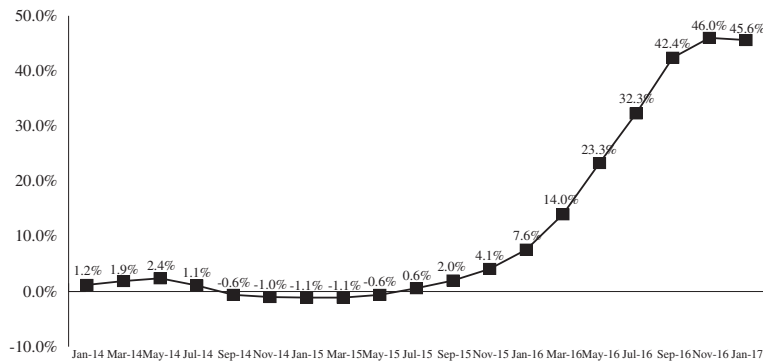
Nanjing Residential properties

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential properties										
GFA Completed ('000 sq.m.)	5,786	8,929	12,279	7,374	8,642	13,622	7,540	7,223	10,639	9,116
GFA under construction ('000 sq.m.)	28,487	31,801	31,882	31,745	40,484	42,291	41,317	44,011	47,750	52,478
GFA sold ('000 sq.m.)	10,645	6,591	11,140	7,548	6,809	8,763	11,432	11,247	14,292	14,063
Average price (RMB/sq.m.)	5,011	4,786	6,893	9,227	8,415	9,675	11,078	10,964	11,260	17,884

Source: Nanjing Municipal Bureau of Statistics

The following chart shows the changes in Nanjing new residential housing price as compared to 2014 and 2015 price level.

Nanjing new residential housing price as compared to 2014 and 2015 price level



Chengdu

Chengdu is the capital of Sichuan Province, located in the southwestern part of China. The city experienced a high GDP growth rate for the period from 2007 to 2015. In 2016, Chengdu's GDP reached approximately RMB1,217 billion representing a CAGR of 15.5%. The table below sets out selected economic statistics of Chengdu for the periods indicated.

Chengdu Economic Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Chengdu	China
GDP (CNY billion)	332	390	450	555	685	814	911	1,006	1,080	1,217	15.5%	12.1%
GDP per capita (CNY)	26,525	30,855	35,215	48,510	49,438	57,624	63,977	70,019	74,273	76,960	12.6%	11.6%
Disposable income for urban households (CNY)	14,849	15,580	17,589	19,920	23,048	27,194	29,968	30,996	33,476	35,902	10.3%	10.4%

Source: CEIC

Notes:

- (1) CAGR refers to compound annual growth rate
- (2) NA means not applicable

According to CEIC in 2016, a total GFA of approximately 32.8 million sq.m. of residential properties was sold in Chengdu at an average selling price of RMB7,377 per sq.m.

The table below sets out the total investment in property development, GFA of commodity properties completed, GFA of residential properties sold and the average selling price of residential properties in Chengdu for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential properties										
GFA completed ('000 sq.m.)	8,853	10,265	14,627	13,012	11,782	15,902	13,531	13,842	8,586	17,385
GFA under construction ('000 sq.m.)	53,432	60,209	67,368	75,503	93,397	98,551	101,069	106,979	110,588	118,320
GFA sold ('000 sq.m.)	20,848	13,574	25,476	22,899	22,849	24,246	25,558	24,763	24,471	32,792
Average price (CNY/sq.m.)	4,198	4,778	4,864	5,827	6,361	6,678	6,708	6,536	6,584	7,377

Tianjin

Tianjin is located on the Bohai Rim of Northern China. It is 120 km away from Beijing, the capital of China. Tianjin is a municipality under the administration of the central government of the PRC. Since the Jingjin Express Railway began service in August 2008, the travel time between Tianjin and Beijing has shortened significantly to approximately 30 minutes. In 2016, Tianjin's GDP reached approximately RMB1,789 billion, representing a 2007 to 2016 CAGR of 14.6%. The table below sets out select economic statistics of Tianjin for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Tianjin	China
Tianjin Economic Indicator												
GDP (CNY billion)	525	672	752	922	1,131	1,289	1,444	1,573	1,654	1,789	14.6%	12.1%
GDP per capita (CNY)	47,970	58,656	62,574	72,994	85,213	93,173	100,105	105,231	107,960	114,494	10.1%	11.6%
Disposable income for urban households (CNY)	16,357	19,423	21,402	24,293	26,921	29,626	28,984	31,506	34,101	37,110	9.5%	10.4%

Source: CEIC

Notes:

- (1) CAGR refers to compound annual growth rate
- (2) NA means not applicable
- (3) NA means not available

According to CEIC, in 2016 a total GFA of approximately 25.2 million sq.m. of residential properties was sold in Tianjin. The average selling price rose from RMB5,575.7 in 2007 to RMB12,870 in 2016.

The table below sets out the total investment in property development, GFA of commodity properties completed and GFA of residential properties sold in Tianjin for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential properties										
GFA completed ('000 sq.m.)	13,986	14,925	15,808	16,036	16,451	19,140	21,177	21,302	21,830	21,891
GFA under construction ('000 sq.m.)	37,449	43,063	45,178	51,177	66,240	69,235	75,625	72,045	69,687	63,117
GFA sold ('000 sq.m.)	14,018	11,354	14,615	13,526	13,657	15,114	17,203	14,836	16,748	25,219
Average price (CNY/sq.m.)	5,576	5,598	6,605	7,940	8,548	8,010	8,390	8,828	9,931	12,870

Hangzhou

Hangzhou is located at the southern wing of the Yangtze River Delta. It is the capital of Zhejiang Province and is one of the most important central cities in southern wing of the Yangtze River Delta and a hub of transportation in southeast China. The city has a total area of 16,596 square kilometers, including an urban area of 3,068 square kilometers. Hangzhou's GDP in 2016 reached RMB1,131 billion, representing 11.9% CAGR from 2007 to 2016 whilst per capita disposable income for urban households reached RMB52,185. The table below sets out selected economic statistics for Hangzhou for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Hangzhou	China
Hangzhou Economic Indicator												
GDP (CNY billion)	410	478	509	595	702	780	834	921	1,005	1,131	11.9%	12.1%
GDP per capita (CNY)	52,590	60,414	63,333	69,828	80,478	88,962	94,566	103,813	112,230	124,286	10.0%	11.6%
Disposable income for urban households (CNY)	21,689	23,534	26,171	30,035	32,434	35,704	40,909	44,632	48,316	52,185	10.2%	10.4%

Source: CEIC

Notes:

(1) CAGR refers to compound annual growth rate

(2) NA means not applicable

According to CEIC, total GFA of approximately 18.9 million sq.m. of residential properties was sold in Hangzhou in 2016.

The table below sets out various statistics regarding the investment in and completion and sales of properties in Hangzhou for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential properties										
GFA completed ('000 sq.m.)	7,716	7,727	6,266	8,023	8,409	6,740	8,451	9,280	10,703	11,134
GFA under construction ('000 sq.m.)	36,143	36,234	36,665	42,492	48,753	50,204	55,091	57,826	59,288	60,054
GFA sold ('000 sq.m.)	10,437	6,770	13,144	7,976	6,002	9,203	9,688	9,525	12,924	18,883
Average price (CNY/sq.m.)	7,432	8,212	10,613	14,259	12,749	13,292	14,679	14,035	14,748	16,211

Source: CEIC

Notes:

(1) CAGR refers to compound annual growth rate

(2) NA means not applicable

Wuxi

Wuxi is a prefecture-level city located in the south of Jiangsu province. It is a part of the Yangtze River Delta region and is bordered by Changzhou in the west and Suzhou to the east. It has an area of approximately 4,627 square kilometers. Wuxi has experienced significant GDP growth in recent years from approximately RMB446.1 billion in 2008 to approximately RMB921 billion in 2016, representing a CAGR of approximately 10.1%.

In line with the economic growth of Wuxi, investment in properties has increased significantly in recent years. The table below sets forth data relating to the property market in Wuxi for the years indicated:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 CAGR	
											Wuxi	China
Wuxi Economic Indicator												
GDP (CNY billion)	388	446	499	579	688	757	807	821	852	921	10.1%	12.1%
GDP per capita (CNY)	65,570	73,733	81,146	92,167	107,437	117,357	124,640	126,389	130,938	141,258	8.9%	11.6%
Disposable income for urban households (CNY)	20,898	23,263	25,027	27,750	31,638	35,663	38,426	41,731	45,129	48,628	9.8%	10.4%

Source: CEIC

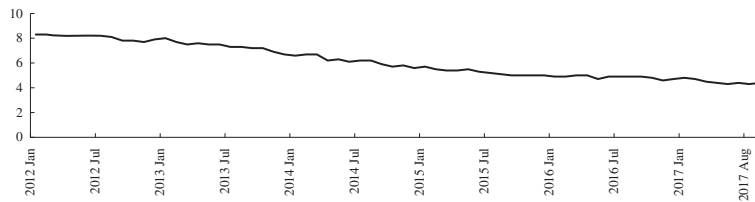
THE PROPERTY MARKET OF THE UNITED STATES

Overview

Despite the downturn in the U.S. residential market in late 2008 to 2009, the property market has been improving alongside improving employment data and other economic factors. In addition, housing construction volume and housing prices have also increased steadily since 2012. Although the U.S. housing market had previously dragged the U.S. economy into a deep recession in late 2008 to 2009, the recovery process is well underway on the backdrop of an improving U.S. economy.

Unemployment Rates

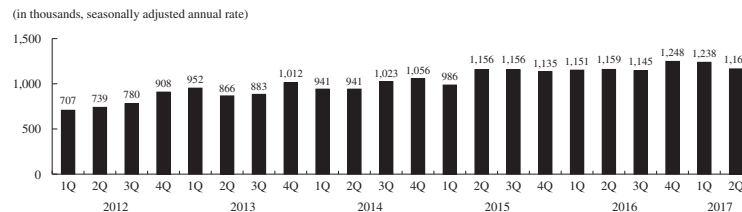
The U.S. national unemployment rate is an important indicator and driving factor of the housing market. U.S. unemployment rate has remained at below 8% and latest data indicate the current level at 4.4% as of August 2017. The following graph sets forth the decreasing unemployment rate in the United States for the periods presented.



Source: U.S. Bureau of Labor

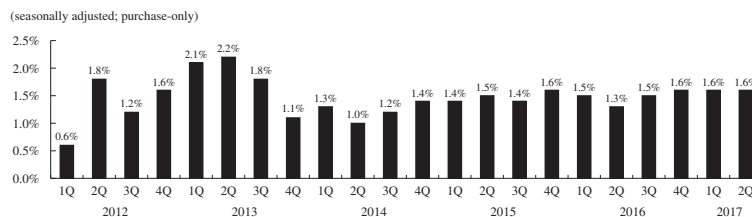
Residential Construction

In July 2017, homebuilders began construction at a seasonally adjusted annual rate of 1,155,000 units, compared to 1,223,000 in July 2016, according to statistics obtained from the U.S. Census Bureau. In addition, seasonally adjusted annualized existing home sales in July 2017 were at 5.44 million, representing a slight 0.5% month-on-month decrease, according to the National Association of Realtors. Furthermore, as of July 2017, U.S. housing inventory level reached 1.92 million, which is 9.0% lower than a year. According to the National Association of Realtors, a stable demand for housing will continue to support housing prices. The following graph sets forth new U.S. residential construction start volume for the periods presented.



Source: U.S. Census Bureau

The following graph sets forth the U.S. housing price index (seasonally adjusted; purchase-only) for the periods presented.



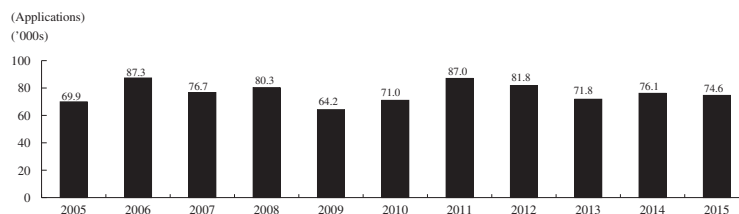
Source: Federal Housing Finance Agency

Chinese Immigration Patterns

The increase in Chinese immigrants in the U.S. and the rise of Chinese investing in the U.S. property market have contributed to the increase in demand for residential properties in the U.S. All of these factors contributed to PRC real estate companies entering the U.S. residential real estate development market.

Immigrants from the PRC to the U.S. have been steadily increasing in recent years. Statistics from the U.S. Department of Homeland Security demonstrate that green cards for permanent residency issued to PRC-born applicants amounted to approximately 76,089 in 2014, second only to the number issued to Mexico-born applicants, or approximately 158,619. For immigrants from Mainland China, California, New York, Massachusetts and Texas are among the most popular destinations. The following table sets forth the issued green cards to PRC-born applicants from 2005 to 2015.

Immigrant from China to U.S.

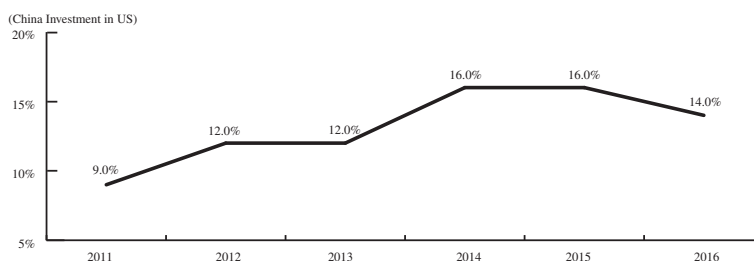


Source: U.S. Department of Homeland Security (No later data available)

Note: Statistics exclude applicants from Hong Kong, Macau and Taiwan

In addition, U.S. residential investments from mainland China has generally increased annually. In 2016, Chinese investment accounted for approximately 14% of total overseas property investments in the U.S., more than any other countries. The primary growth factors for Chinese investments include individuals studying abroad, investment immigration and overseas investments. The following table sets forth the proportion of Chinese investments as a percentage of total foreign investment from 2011 to 2016.

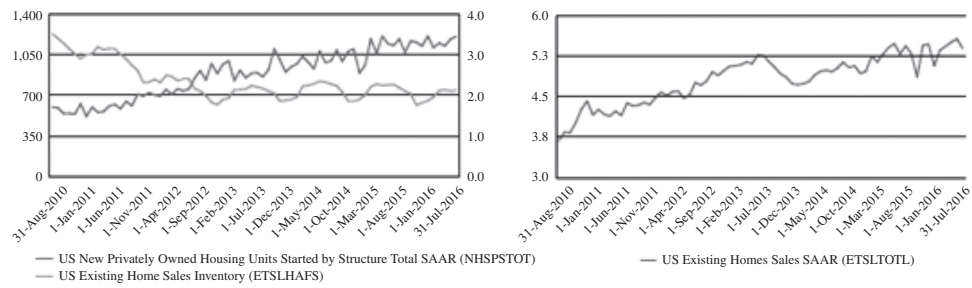
U.S. residential investments from China



Sources: National Association of Realtors

The average U.S. mortgage rates have in general declined after the onset of the housing market correction in 2006 and 2007. The average mortgage rates have remained at relatively low level. The lower mortgages have contributed to the increase in home buying and refinancing activities recently. As of December 2016, the rate is 4.2%.

Housing starts and home inventory

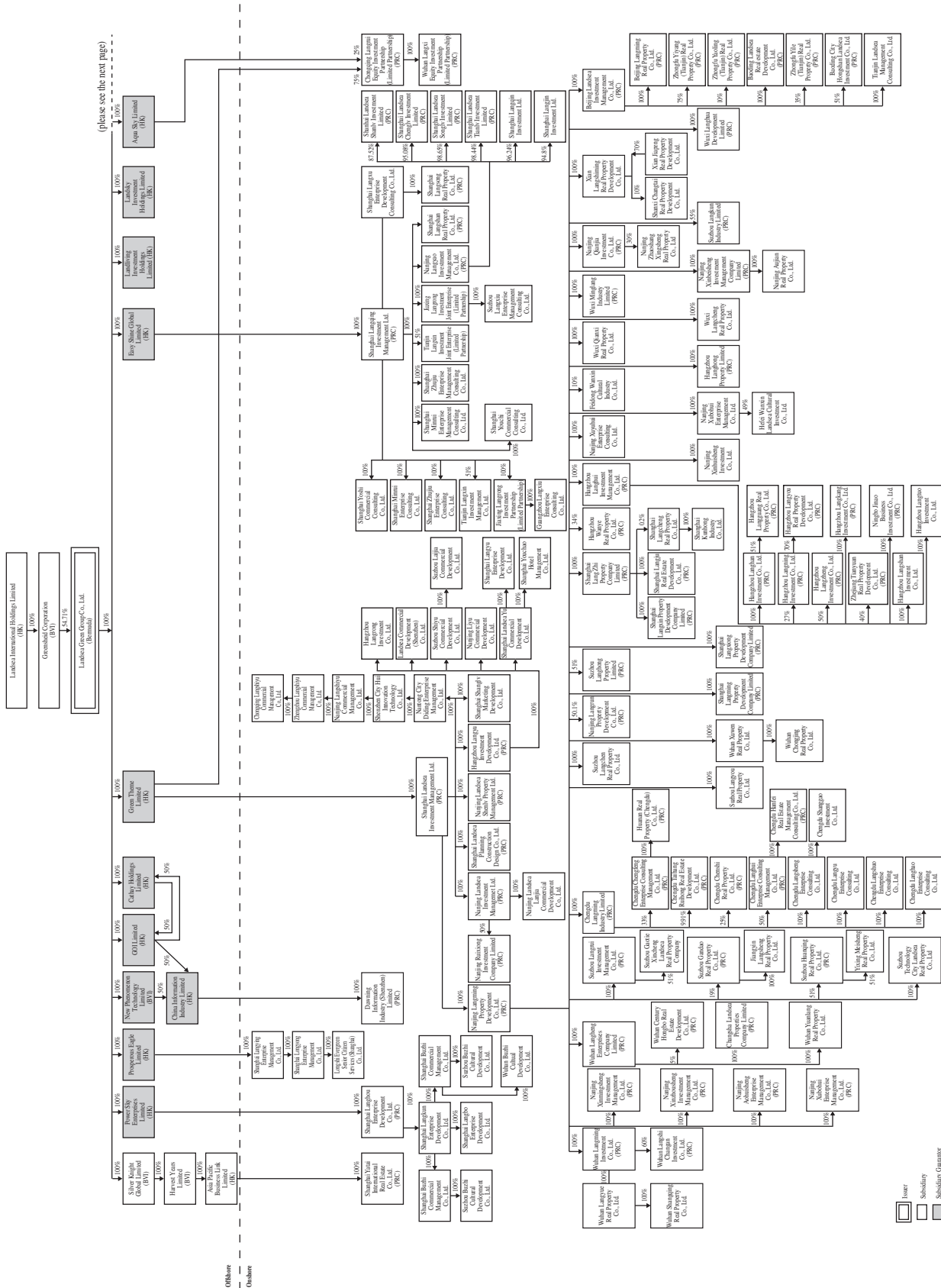


Sources: U.S. Census Bureau

The recent data on new housing starts and home inventory has suggested a recovery in US housing market. The housing starts has recovered from their low. The recent change in housing starts reflected an increase in new building activity in U.S. The aggregate new housing inventory has in general continued to fall which likely reflected that completed homes have been selling relatively quickly recently.

CORPORATE STRUCTURE

The following chart illustrates our corporate structure as of the date of this offering memorandum:



BUSINESS

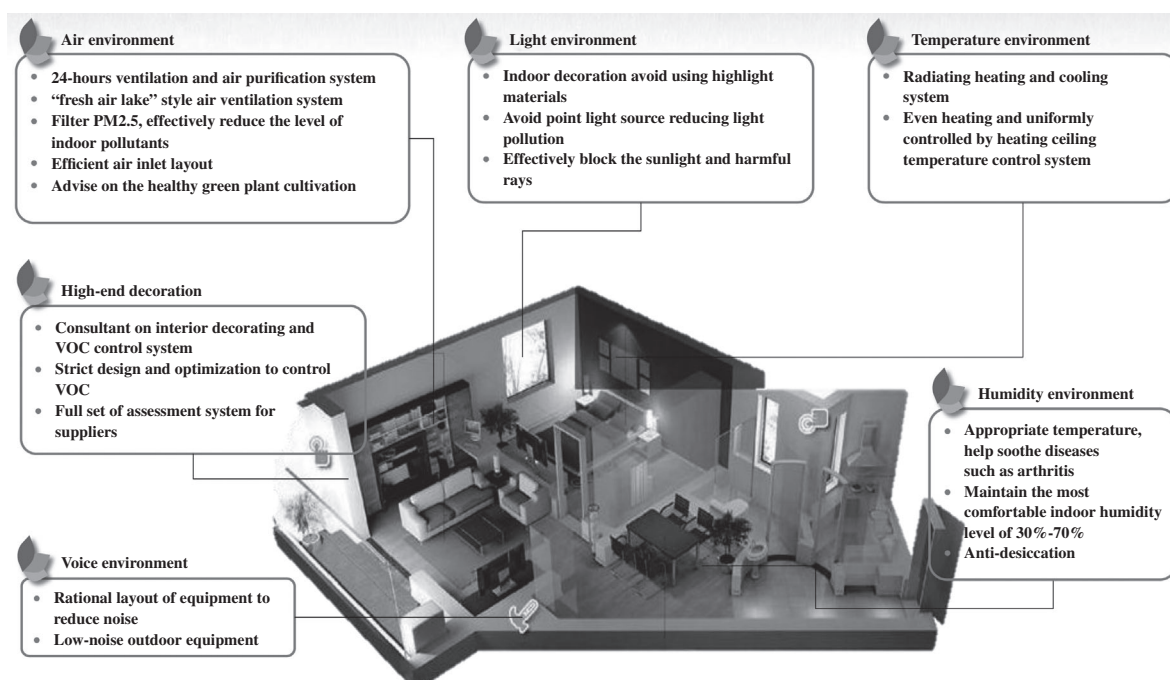
OVERVIEW

We are a PRC property developer focusing on the development of green, energy-saving and eco-friendly residential properties. According to China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Evaluation and Assessment Center, we have been on the list of the Top 100 China Real Estate Enterprises for seven consecutive years since 2010. We have also been recognized as the China Green Property Developer of the Year for 2017 by the Boao Real Estate Forum in 2017. We have also received a number of awards or recognitions for our various property development projects. We have received the 2015 National Pioneer Award for Green Building from China Green Building Council in 2015, the platinum certification from the German Sustainable Building Committee of the German Sustainable Building Committee (“DGNB”) for our Brucker Passive House project in 2016, which was the first time such certification was awarded to a PRC property developer, the Value Creation Award of China Elite Program organized by Yicai.com in 2017, Jingrui Prize Gold Award for our Landsea 8th Renmin Road project from the National Science and Technology Awards Studio of the Ministry of Science and Technology of the PRC in December 2017, and the PHI PLUS Gold Certification from the German Passive House Institute for our Beijing Yanqing Passive House project in 2018. Under our “product differentiation, asset-light transformation and market-internationalization” development strategies, we have expanded our operations into many first and second-tier cities in China, including Shanghai, Hangzhou, Suzhou, Nanjing, Wuhan, Chengdu, Changsha, Hefei, Tianjin and Wuxi, as well as certain other major international cities, such as New York, Boston, San Francisco and Los Angeles, in the United States.

We focus on the development of residential properties with innovative technologies and green ecological environment. We develop our business under the strategies of “product-differentiation, asset-light and market-internalization” and actively explore opportunities in our efforts to develop various types of green operation or services. We brought to market environmentally friendly and energy-saving properties, including the 1.0 version products represented by our Nanjing Landsea International Block, the 2.0 version products represented by our Landsea Zhongshan Green County and currently the 3.0 version products represented by our Landsea Xinhua Mansion which was launched in Nanjing in late 2015. We plan to launch our 4.0 version products in 2018, which will be represented by our Passive House Landsea Le Mansion. For the year ended on December 31, 2017, we recorded approximately RMB32.1 billion (US\$4.7 billion) in contracted sales with GFA of approximately 1.6 million sq.m. under the brand “Product of Landsea”. In 2017, we launched our “Banyan Tree Scheme,” which focuses on offering comprehensive sub-brand systems including property financing, development and design, decoration, property and elderly care services in addition to our traditional residential development business. Leveraging our established market presence, we also launched long-term rental apartment projects in 2017, as part of our efforts to become a more asset-light business and further expand into the property rental market.

We place heavy emphasis on environmental protection and green construction, and are committed to delivering comfortable and eco-friendly residential properties to the market. We maintain a well-established green system throughout the cycle of our project development including green control, green construction, green procurement, and green assessment. See “— Our Property Development — Our Operations” in this offering memorandum. We believe our residential properties under our “Landsea” brand enjoy broad recognition among our customers, and “Landsea” has become one of the few brand names that are representative of eco-friendly building design and construction. We have, over the years, developed a technology system combining energy-saving and eco-friendly construction technologies and techniques designed to provide energy-saving and comfortable living experience to our customers.

The following diagram illustrates our typical design of a comfortable living environment:



We have adopted and implemented prudent business expansion and land acquisition strategies, and have built our land reserves in strategically important regions where our technologies can be widely applied under local climate conditions. As of December 31, 2017, we had a total of 77 projects in Nanjing, Shanghai, Suzhou, Wuxi, Hangzhou, Wuhan, Chengdu, Changsha, Hefei, Tianjin and the U.S. These projects amounted to approximately 12,865,868 sq.m. in total planned GFA, of which approximately 3,758,640 sq.m. were attributable to the Group. We believe that our land reserves currently being developed will be sufficient to meet our development needs for the near future.

Our land reserves as of the date of December 31, 2017 were located in the following cities or country:

<u>Location</u>	<u>Approximate Total GFA</u> (sq.m.)	<u>Approximate GFA Attributable to the Group⁽¹⁾</u> (sq.m.)
Shanghai	376,248	352,360
Ma’anshan	330,339	—
Neijiang	255,343	—
Tianjing	299,236	162,373
Wuxi	1,411,511	342,603
Beijing	45,860	—
Chuangsha	245,541	2,455
Hefei	328,252	38,601
Chengdu	2,539,810	386,128
Xi’an	72,196	50,537
Hangzhou	605,811	419,236
Wuhan	366,061	50,936
Nanjing	2,389,844	524,982
Jinan	182,692	—
Chongqing	272,520	69,493
Tangshan	134,625	—
Xuzhou	433,637	—
Haining	84,266	67,413
Suzhou	741,633	328,679
Suqian	418,500	418,500
Changzhou	177,769	—
Zhenjiang	192,904	—
Zhangjiakou	128,446	—
Baoding	11,320	—
Yancheng	209,251	—
U.S.	612,253	544,344
Total	12,865,868	3,758,640

Note:

- (1) “Approximate Planned GFA Attributable to the Group” means the approximate square meters in planned gross floor areas in which the Group held equity interest.

We intend to continue to expand our operations into new markets. We take into account a number of factors in selecting new markets for our expansion, such as economic growth, governmental policies and application of our technologies. We will also customize our product features according to local market conditions.

Historically, we have developed our property projects primarily through our wholly owned subsidiaries and joint ventures with third parties. When suitable opportunities arise, we may continue to enter into joint ventures with third parties including other property developers and real estate trusts or funds. We may enter into joint venture arrangements by forming new joint venture companies with third parties, securing shareholders’ loans from our joint venture partners, acquiring equity interests in third parties, or through other means. For example, we have launched our long-term rental apartment named “Landsea Apartment” in 2017, in various cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing and Suzhou in the PRC. As of December 31, 2017, we secured 55 projects with 526,000 sq.m. in these cities covering various locations including business district, high-tech industrial, campus areas and downtown and commercial districts. We also entered into a partnership agreement with Ping An Real Estate in early 2018 with the aim to cooperate with Ping An Real Estate and further expand into the long-term rental apartment market. See “— Recent Developments — Apartment Rental Project with Ping An Real Estate” for more details.

For the year ended December 31, 2017, our revenue was RMB6,213.9 million (US\$955.1 million), representing a significant increase in revenue of approximately 28.3% as compared with the year ended December 31, 2016. The revenue from our property and land sales, property development and management services, rental and management of investment property and decoration services was approximately RMB5,379.6 million (US\$826.9 million), RMB753.2 million (US\$115.8 million), RMB34.8 million (US\$5.3 million) and RMB46.3 million (US\$7.1 million), respectively. Our profit for the year ended December 31, 2017 amounted to approximately RMB720.8 million (US\$110.8 million), representing a increase of 18.8% as compared with the year ended December 31, 2016. For the year ended December 31, 2017, our total contracted sales from equity-held projects for property and land amounted to approximately RMB19,529.5 million (US\$3,001.6 million).

RECENT DEVELOPMENTS

Wuxi Xinghai Agreement

On August 2, 2017, Nanjing Langming Real Estate Group Limited (“Nanjing Langming”) entered into an agreement with Wuxi Xinghai Real Estate Development Co., Limited, (“Wuxi Xingtai”), Anhui Daily Newspaper Press Group and Ma An Shan Xingwen Real Estate Development Co., Limited (“Ma An Shan Xingwen”), pursuant to which Nanjing Langming has conditionally agreed to purchase 70% of the equity interest of Ma An Shan Xingwen from Wuxi Xinghai at a consideration of zero and Nanjing Langming has conditionally agreed to provide a shareholder loan of RMB280.0 million (US\$41.3 million) at an interest rate of 10% per annum to Ma An Shan Xingwen. Before the transaction, Ma An Shan Xingwen was 90% owned by Wuxi Xingtai and 10% owned by Anhui Daily Newspaper Press Group, respectively. Upon completion of the transaction, Ma An Shan Xingwen will be accounted as our associated company. After repayment of the shareholder loan by Ma An Shan Xingwen to Nanjing Langming, Nanjing Langming will retain the 70% equity in Ma An Shan Xingwen.

Hangzhou Langhui Agreement

On August 14, 2017, our indirect wholly-owned subsidiary, Hangzhou Langhui Investment Management Company Limited (“Hangzhou Langhui”), entered into an agreement with Hangzhou Hongcheng Investment Management Company Limited (“Hangzhou Hongcheng”), pursuant to which Hangzhou Langhui conditionally agreed to sell and assign 60% of the equity interest in Zhejiang Tianyuan Real Estate Development Company Limited and 60% of the outstanding shareholder loan owed by Zhejiang Tianyuan Real Estate Development Company Limited to Hangzhou Hongcheng at a total consideration of approximately RMB266.4 million (US\$39.3 million). As of the date of this offering

memorandum, the transaction has been completed and Zhejiang Tianyuan Real Estate Development Company Limited is 60% owned by Hangzhou Hongcheng and 40% by Hangzhou Langhui and no longer our indirect wholly-owned subsidiary.

Wuhan Langheng Acquisition

On August 14, 2017, our wholly-owned subsidiary, Wuhan Langheng Enterprises Company Limited, participated in a public auction held by Wuhan Optics Valley United Property Rights Exchange for the proposed acquisition of 60% equity interest of Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited (“Xudong Company”) and a loan owed by Xudong Company to Hubei Supply and Marketing Minsheng Plaza Company Limited in the amount of approximately RMB685.8 million (US\$101.2 million), for a total consideration of RMB1,082.2 million (US\$159.6 million), and paid a transaction deposit of RMB120.0 and performance bond for the abovementioned loan upon registration. Our acquisition of the 60% equity interest of Xudong Company took place on September 19, 2017.

On September 18, 2017, Wuhan Langheng entered into an agreement with Wuhan Lihao Real Estate Development Company Limited (“Wuhan Lihao”) pursuant to which Wuhan Langheng agreed to purchase 20% equity interest of Xudong Company from Wuhan Lihao at a consideration of approximately RMB132.1 million (US\$19.5 million). Our acquisition of the 20% equity interest of Xudong Company took place on September 20, 2017.

We also held 20% equity interest in Xudong Company before the completion of the acquisitions. Xudong Company became our wholly-owned subsidiary on September 20, 2017.

Zhongfu Yiyang Agreement

On October 11, 2017, our indirect non-wholly owned subsidiary, Zhongfu Yiyang (Tianjin) Properties Company Limited (“Zhongfu Yiyang”), entered into an agreement with Tianjin Taihe Jinchuan Properties Company Limited (“Tianjin Taihe”) pursuant to which Zhongfu Yiyang agreed to use certain land use rights relating to a land parcel in Tianjin city, the PRC, and a construction project on the land, for a consideration of approximately RMB849.6 million (US\$125.3 million).

Tianjin Taihe will pay the consideration in three tranches, subject to certain conditions. Zhongfu Yiyang and Tianjin Taihe will complete the transfer of relevant land use rights and the construction project to Tianjin Taihe after the payment of the third tranche. Tianjin Taihe will procure Taihe Group Co., Ltd. to provide a guarantee in favor of a financial institution to be designated by Tianjin Taihe for financing to pay for part of the consideration. As of the date of this offering memorandum, the transaction contemplated under the agreement has not been completed.

Zhongbei Shengye Agreement

On November 29, 2017, our wholly-owned subsidiary, Nanjing Langming, entered into a cooperation agreement with Nanjing Zhongbei Shengye Properties Development Co. Ltd (“Zhongbei Shengye”), pursuant to which Zhongbei Shengye shall subscribe the additional registered capital of RMB7.5 million (US\$1.1 million) of Nanjing Xushenghui Corporate Management and Consulting Co., Ltd (“Nanjing Xushenghui”) and provide a shareholder loan of approximately RMB217.0 million (US\$32.0 million) to Nanjing Xushenghui as the working capital for the development of certain land parcels in Nanjing city, the PRC. Upon completion of the share capital increase, Nanjing Xushenghui will be 40% owned by Nanjing Langming and 60% owned by Zhongbei Shengye. We intend to develop suitable residential property projects with Zhongbei Shengye to further expand our property development business.

Shanghai Langqing Cooperation Agreement

On November 30, 2017, Shanghai Langqing Investment Management Fund (“Shanghai Langqing”), our wholly-owned subsidiary, entered into a cooperation agreement with Shenzhen Hengchuang Investment Management Limited (“Hengchuang Investment”) and Shanghai Zhujiu Enterprises Management Consulting Limited (“Shanghai Zhujiu”), pursuant to which Shanghai Langqing conditionally agreed to transfer to Hengchuang Investment a 50% equity interest of Shanghai Zhujiu at a consideration of RMB1, while Shanghai Langqing and Hengchuang Investment will make

payment for their respective subscription capital in Shanghai Zhujiu of RMB5.0 million each. The parties agreed to acquire the entire equity interest in a PRC company, which held certain land parcels in Shanghai Pudong New District, pursuant to the terms agreed by Shanghai Langqing and Hengchuang Investment through Shanghai Zhujiu, the consideration for which will be satisfied by a shareholder loan to be provided by Shanghai Langqing and Hengchuang Investment in the amount of RMB250.0 million (US\$36.9 million) each to Shanghai Zhujiu.

Guangzhou Langxiu Agreements

On December 18, 2017, Guangzhou Langxiu Corporate Management Consulting Limited, our wholly-owned subsidiary, entered into an agreement with Jianzhao Company Limited and Hanguo Properties (Shenzhen) Company Limited, pursuant to which Guangzhou Langxiu conditionally agreed to acquire the entire equity interest of Guangzhou Jianzhao Properties Company Limited from Jianzhao Company Limited I at a consideration of RMB230.0 million (US\$33.9 million), and Guangzhou Langxiu conditionally agreed to accept the assignment of a loan owed by Guangzhou Jianzhao Properties Company Limited to Hanguo Properties (Shenzhen) Company Limited at a consideration of RMB30.0 million (US\$4.4 million).

Guangzhou Langxiu will pay the considerations for the equity interest and the loan in stages. Under the agreement, we acquired the relevant interest in Guangzhou Jianzhao Properties Company Limited and will develop certain properties located in Guangzhou province, the PRC for long-term rental apartments.

Limited Partnership Agreement with Zhongcheng

On December 25, 2017, two of our wholly-owned subsidiaries, Nanjing Langming and Shanghai Langqing Investment Management Limited (“Shanghai Langqing”), entered into a limited partnership agreement with Shanghai Zhongcheng Era Equity Investment Fund Management and Zhongcheng Yongyi Investment Center (Limited Partnership), pursuant to which the parties shall make capital contributions to Shanghai Zhongcheng Qiannian Investment Centre (Limited Partnership) (“Zhongcheng Fund”). Zhongcheng Era and Shanghai Langqing are general partners and each subscribed RMB1.0 million, (US\$0.2 million), representing approximately 0.2% of the Zhongcheng Fund, while Nanjing Langming and Zhongcheng Yongyi are limited partners and each subscribed RMB335.0 million (US\$51.5 million), representing approximately 49.9% of the Zhongcheng Fund. Our total equity interest in Zhongcheng Fund amounted to 50.0% and our investment under the agreement accounted as our joint venture.

On the same day, Nanjing Langming and Nanjing Xubohui Corporate Consulting Management Company Limited (“Nanjing Xubohui”), two of our wholly-owned subsidiaries, entered into a cooperation framework agreement with Hefei Wanxin Landsea Cultural Investment Company Limited (“Hefei Wanxin”) and Zhongcheng Fund, pursuant to which Nanjing Xubohui agreed to sell 48% of the equity interest of Hefei Wanxin to Zhongcheng Fund at a consideration of approximately RMB24.9 million (US\$3.7 million), and Nanjing Xubohui agreed to assign a loan owed by Hefei Wanxin to Nanjing Xubohui at a consideration of approximately RMB629.3 million (US\$92.8 million), and Zhongcheng Fund agreed to provide a shareholder loan of no more than approximately RMB17.8 million (US\$2.6 million) to Nanjing Langming at an interest rate of 8% per annum.

As of the date of this offering memorandum, the transactions contemplated under the cooperation framework have been completed. Zhongcheng Fund has paid the consideration in the amount of approximately RMB24.9 million (US\$3.7 million) for the assignment of the loan owed by Hefei Wanxin to Nanjing Xubohui. Under the cooperation framework, 51%, 1% and 49% of Hefei Wanxin will be held by Wanxin Cultural Industry Investment Group Limited, Nanjing Xubohui and Zhongcheng Fund, respectively. Zhongcheng Fund is intended to be used to invest in high quality real estate projects and its term is ten years from the date of the issuance of its business license.

Sichuan BRC Agreements

On December 27, 2017, Nanjing Langqing Property Co., Ltd. (“Nanjing Langqing”) our indirect wholly-owned subsidiary, another of our indirect wholly-owned subsidiary (“Project Company I”) and Sichuan BRC Hejun Industrial Co., Ltd. (“Sichuan BRC”) entered into an equity transfer agreement,

pursuant to which Nanjing Langqing and Sichuan BRC agreed to jointly develop a real estate project involving land parcels located at Susu industrial Park, Suqian city, the PRC, which were held by Project Company I, of which Nanjing Langqing conditionally agreed to sell 60% of the equity interest of Project Company I to Sichuan BRC at the consideration of approximately RMB129.6 million (US\$19.1 million), and Sichuan BRC conditionally agreed to provide a shareholder loan of approximately RMB7.8 million (US\$1.1 million).

On the same day, Nanjing Langqing, another of our indirect wholly owned subsidiary (“Project Company II”) and Sichuan BRC entered into another equity transfer agreement, pursuant to which Nanjing Langqing and Sichuan BRC agreed to jointly develop a real estate project involving land parcels at Susu Industrial Park, Suqian city, the PRC, held by Project Company II, of which Nanjing Langqing conditionally to sell 60% of the equity interest of Project Company II at the consideration of approximately RMB111.4 million (US\$16.5 million).

Jiaxing Langda LP and Xudong Company

On December 28, 2017, two of our wholly-owned subsidiaries, Nanjing Langming Shanghai Langqing, entered into a limited partnership agreement with Tianjing Langxin Investment Management Limited (“Langxin Capital”) and Xinda Investment Company Limited (“Xinda Investment”), pursuant to which the parties agreed to set up Jiaxing Langda LP. Nanjing Langming and Xinda Investment will be the limited partners of Jiaxing Langda LP which will subscribe 30% and 70 of the capital of Jiaxing Langda LP, respectively, while Langxin Capital will be the general partner of Jiaxing Langda LP, which will subscribe RMB1.0 million (US\$0.1 million). Shanghai Langqing will be the administrator of Jiaxing Langda LP.

On the same day, Wuhan Langheng Enterprise Company Limited (“Wuhan Langheng”), our wholly-owned subsidiary, entered into an agreement with Jiaxing Langda LP and Xudong Company, pursuant to which Wuhan Langheng agreed to sell 99.9% of its equity interest in Xudong Company at a consideration of RMB660.0 million (US\$97.4 million). Jiaxing Langda LP will also provide a shareholder loan of RMB461.0 million (US\$68.0 million) to Xudong Company for a term of no more than three years.

Jiaxing Langda LP will mainly invest in high quality real estate projects and will develop a property project involving land parcels in Xudong Village, Hongshan District, Wuhan Province, the PRC, with a site area of approximately 32,273 sq.m. and a construction area of approximately 130,529 sq.m., which belonged to Xudong Company.

The completion has taken place after the Administration of Industry and Commerce of the PRC has accepted the application for registration of transfer of the equity of Xudong Company to Jiaxing Langda LP. As of the date of this offering memorandum, the transaction contemplated by the agreement has taken place. Xudong Company has ceased to be our indirect wholly-owned subsidiary, and is held 99.9% by Jiaxing Langda LP and 0.1% by Wuhan Langheng.

Suzhou Langkun Loans

On December 29, 2017, Suzhou Langkun Properties Company Limited (“Suzhou Langkun”), our non-wholly owned subsidiary, entered into two loan agreements with Jiangsu Guotai Huading Investment Company Limited (“Jiangsu Huading”) and Jiangsu Guotai Zijin Technology Development Company Limited (“Jiangsu Zijin”), respectively. Pursuant to the loan agreements, Suzhou Langkun will lend a loan of approximately RMB285.8 million (US\$42.2 million) to each of Jiangsu Huading and Jiangsu Zijin for a period of one year from December 31, 2017, at the annual interest rate of 4.35%. We intend to jointly develop property projects in Jiangsu province with Jiangsu Huading and Jiangsu Zijin through Suzhou Langkun.

Apartment Rental Project with Ping An Real Estate

On January 10, 2018, we entered into a strategic cooperation agreement with Ping An Real Estate Company Ltd. (“Ping An Real Estate”) pursuant to which the parties will jointly invest in long-term rental apartment projects in certain first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen and certain second-tier cities including Nanjing, Hangzhou and Wuhan in the next three years, with a target fund asset management scale of approximately RMB10,000.0 million (US\$1,475.1 million).

We and Ping An Real Estate agreed to entrust the projects acquired under this strategic cooperation framework to us for long-term rental apartment operations and management. The relevant portion of the target fund for each acquired project will terminate after the relevant project is under steady operation by us.

Transfer Agreement with CITIC Capital and Pingan Heding

On February 7, 2018, two of our wholly-owned subsidiaries, Shanghai Langqing Investment Management Limited (“Shanghai Langqing”) and Nanjing Langming, entered into a transfer agreement with CITIC Capital Holdings Limited (“CITIC Capital”) and Shanghai Pingan Heding Investment & Management Co., Ltd. (“Pingan Heding”), pursuant to which CITIC Capital conditionally agreed to sell the entire property share of general partner of Shanghai Rui Kai Investment Partnership (“Rui Kai Partnership”) at the consideration of RMB10,000.0 (US\$1,475.1) to Shanghai Langqing, and Pingan Heding conditionally agreed to sell the entire property share of limited partner of the Rui Kai Partnership at the consideration of RMB221.0 million (US\$32.6 million) to Nanjing Langming. The Rui Kai Partnership holds 100% equity interest in Best Benefit Limited, which in turn, holds 61.54% equity interest of Silver Knight Global Limited, a joint venture of ours. Silver Knight, through its wholly-owned subsidiaries, holds and re-develops certain residential units, car parks and public facilities in Shanghai for a total gross floor area of 15,787 sq.m.

Services Agreements with Landleaf Architecture Technology

On February 13, 2018, we entered into a services agreement with Shanghai Landleaf Architecture Technology Co., Ltd. (“Landleaf Architecture Technology”), pursuant to which Landleaf Architecture Technology will provide services to us and our subsidiaries. On the same date, we entered into a decoration services agreement with Landsea Group, pursuant to which we and our subsidiaries will entrust Landsea Group or its subsidiaries for the provision of the decoration services as provided under the agreement.

Mr. Tian Ming, who is our Chairman and Executive Director, is the ultimate controller of Landleaf Architecture Technology. The payment terms under the two agreements will be based on normal commercial terms. The services agreement with has an annual cap of RMB70.0 million (US\$10.8 million), RMB50.0 million (US\$7.7 million) and RMB50.0 million (US\$7.7 million) for the years ending on December 31, 2018, 2019 and 2020, respectively. The decoration services agreement has an annual cap of RMB20.0 million (US\$3.1 million) for each of the years ending on December 31, 2018, 2019 and 2020.

OUR COMPETITIVE STRENGTHS

Leading position and well-known brand name in China’s niche market of energy-saving, environmental friendly, comfortable residential properties

We believe that we are a leader in the “green property” market in terms of brand recognition and execution capability with dedicated research and development resources and technical expertise. We maintain a well-established green system throughout the cycle of our project development including green control, green construction, green procurement, and green assessment. See “— Our Property Development — Research and Development” in this offering memorandum.

“Green property” development requires not only certain design elements and construction techniques, but also an integrated approach employing select design elements and construction techniques to cater to project-specific factors such as location, climate, geographic environment and customer requirements. Through years of dedicated research and development and industry experience,

we have put in place and continue to improve a versatile green technology system, under which its experienced design and project execution personnel have at their disposal a wide variety of tested design and construction concepts and modules to ensure that our key design philosophies and technical standards are implemented consistently throughout our developments in different locations.

We place heavy emphasis on corporate environmental protection, and are committed to delivering comfortable, energy-saving and eco-friendly residential properties to the market. The properties we are developing typically consume less energy and are installed with temperature and humidity control, noise and light reduction, air ventilation systems and remote control and/or intelligent interactive systems. We believe that these distinctive features of our developments have helped distinguish us from most of the other property developers in China and contributed to our strong profit margins. Our gross profit margin was 24.5% for the year ended December 31, 2017. In addition, we believe that these design and technical features have resonated with our target customers and helped enhance our brand value. Later phases of our developments often achieve higher average selling prices than earlier ones, due to the reputation established over time among local customers.

We believe leveraging our experience and research and development resources as well as its well-known brand name, we are well positioned in China's niche market of energy-saving, environmentally friendly and comfortable residential properties to achieve sustainable long-term growth.

Advantageous position to become the “green life pioneer” which may help us to benefit from strong government support

We believe that we have an advantageous position to become the “green life pioneer” in China which may allow us to benefit from the PRC government's directives for energy conservation and environmental protection. In April 2012, the PRC Ministry of Finance and MOHURD promulgated certain “Implementation Opinions on Expediting the Development of Green Buildings in China” (關於加快推動我國綠色建築發展的實施意見), which for the first time specified PRC government grants on green buildings to the real property developer: “Three Star Green Buildings” would be entitled to RMB80 per sq.m. and “Two Star Green Buildings” would be entitled to RMB45 per sq.m. It is provided in the 12th Five Year Plan for Green Building and City (住房城鄉建設部關於印發「十二五」綠色建築和綠色生態城區發展規劃的通知) promulgated by MOHURD in April 2013, such incentive standard will be adjusted along with the development of technology and change of cost. In addition, the implementation opinions are targeting to have more than one billion sq.m. in GFA of green buildings by 2015 and more than 30% of new buildings as green buildings by 2020 in China, which we believe is a positive policy gesture from the PRC government. We believe China's strong government support of energy conservation and environmental protection, together with continued economic development and increased living standards in the country, will bolster our growth and expansion in the development of green properties.

Strategically located land bank catering to diversified customer base and strategic partnerships with other reputable property developers

As of December 31, 2017, we had 77 property development projects in various stages of development. These property developments have an aggregate site area of approximately 12,865,868 sq.m. of which approximately 3,758,640 sq.m. were attributable to the Group. We focus on the development of residential properties with innovative technologies and green ecological environment. We have introduced series of environmentally friendly and energy-saving properties, including the 1.0 version products represented by our Nanjing Landsea International Block, the 2.0 version products represented by our Landsea Zhongshan Green County and currently the 3.0 version products represented by our Landsea Xinhua Mansion which was launched in Nanjing in late 2015. We aim to further launch our 4.0 version products, which will be represented by our Passive House Landsea Le Mansion in 2018. We also target and offer different products to different types of home buyers, including first-time home buyers, first-time or subsequent home upgrade buyers, and buyers looking for tailor-made properties in desirable locations.

In recent years, we have strategically partnered with various leading PRC property developers and other partners, including China Vanke Co., Ltd, Jiangsu Guotai International Group and Ping An Insurance (Group) Company of China, Ltd. to develop various projects in Hangzhou province, Nanjing province and Suzhou province. We believe that, leveraging the support and contribution of these

property developers, we will further enhance our financial and operational management capabilities and practices, strengthen our overall risk control and management systems and achieve stable long term development.

Experienced management and research and development teams

The key members of our management team have an average of over 20 years of experience in the PRC real estate industry, and are well versed in areas of strategic planning, business management, resource operations and sustainable development. Our chairman, Mr. Tian Ming, with his insight on the PRC real estate market, has been instrumental in our strategic development since our founding. Mr. Xie Yuanjian, an executive director and our chief technology officer, is a national first class registered architect and senior engineer in the green architecture field in China, with more than 20 years of professional experience in the fields of architectural design and technology research and development. Our other senior management members collectively have significant experience in the fields of engineering, marketing, project development, capital operations, financial management and human resource management and extensive experience in real estate development and property operation and management. Under our management's direction, we have built up our research and development bases with a strong emphasis on innovative, environmentally friendly and energy-saving technologies and the aim to stay on the forefront of the field of green construction. For example, our Landsea Taihu Lake Green Building Research and Development Base is one of the only four green building research and development bases of housing and urban-rural development in the PRC and the only one located in central and downstream regions of Yangtze River. Our Landsea Taihu Lake Green Building Research and Development Base has been awarded the medal of "Green Building R&D Demonstration Base" in 2017.

We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the PRC property market and research and development team's expertise in green design and construction.

BUSINESS STRATEGIES

We intend to continue transforming our business model to become a pioneer in property development business that is centered on the concept of "green life" by adopting the following business strategies.

Continue to strengthen our capabilities in adapting and offering differentiated energy-saving technologies and products

Our capabilities in research and development and integration of green energy-saving technologies differentiate us from other PRC property developers and afford us with a competitive advantage in the PRC real estate market. We will continue to keep abreast of the latest developments in construction and building materials using energy-saving technologies and products in both the PRC and the rest of the world. In order to enhance the quality, comfort level, energy efficiency of our property developments, we will continue to strengthen our research on building techniques and materials to save energy, water, construction materials and space. We will continue to optimise our green system in terms of design, installation and scope of application. We will also promote the use of standardised modules in building energy-saving residences in new projects. In addition, we have upgraded our energy-saving properties twice and currently use our 3.0 version products which are represented by Landsea Xihua Manson which was launched in Nanjing in 2015. The 3.0 version products include the construction of passive houses, which use more advanced and energy-saving technologies, particularly in products aimed at reducing air pollution. For example, 3.0 version products such as our new air control system which offers a haze elimination rate of approximately 95% and meets Finland's national S1 control standards on formaldehyde. Our 3.0 version products also offers an independent air ventilation system that keeps circulating fresh air into the room and discharging polluted air. Through product diversification, we were able to increase the potential for higher price premium on our properties and charge higher rent in second hand market.

Continue to implement our asset-light strategy in our property development

We actively cooperate with financial institutions and developers which we believe offer complementary services and/or products to those of our own under our asset-light strategy. This business model includes three types of cooperation with our partners. The first type is joint development through which we invest and develop projects by cooperating with financial institutions and developers, where we and our relevant cooperative partner each hold 50% equity interests in such projects. The second type is projects in which we hold minority interests and cooperate with one or more of our cooperative partners, where we are responsible for the overall development of the project even though we hold a minority equity interest in the project. The third type is entrusted development, by which we are responsible for the overall development of the projects which the entrusted investors hold 100% equity interest while we charge a fee for our development and management services, technology services and shares the excess gain on the operation of projects. The type of business model that is adopted by us for any project is determined on a case-by-case basis. We believe these three business model types help us to become a more vertically integrated real estate company while increasing our capacity, investment, property development and management, operation and development of property management.

Expand our footprint to carefully selected locations and enhance our brand recognition

With respect to the PRC real estate market as a whole, we intend to leverage our brand recognition and reputation in Yangtz River Delta region and draw on our successful experience there to expand our operations in markets where our products have competitive advantages. We take into account a number of factors in selecting new markets for our expansion, including local market conditions, geography and climate and the prospects of applying our technologies.

As of December 31, 2017, we had successfully expanded our operations to, among others, Shanghai, Tianjin, Jiangsu province, Sichuan province and Zhejiang province as well as certain major cities in the U.S., which will enhance our brand recognition. We intend to expand to regions adjacent to these locations where we have accumulated experience in dealing with the local markets. We will continue to customise our energy-efficient, eco-friendly properties in new markets according to local market conditions.

In 2013, we expanded our businesses into the United States with the view to pursuing a significant role in certain local markets in the long term. We mainly focused on ‘gateway’ cities across the United States such as Boston, New York, San Francisco and Los Angeles. As of December 31, 2017, we had 11 projects in such cities, which mainly consist of high-end urban apartments and suburban villas. We believe our U.S. business is an integral part of our development portfolio and will continue to seek opportunities in the international market.

We believe we have established “Landsea” as a reputable brand in the PRC real estate market and that our brand is associated with high-quality and comfortable communities. These factors enable us to enjoy a competitive advantage over our competitors in terms of demand and pricing for our products. In order to further enhance our brand recognition, we intend to continue to devote ourselves to perfecting our energy-saving development technologies and integrating such technologies into our property developments. We also believe that customer loyalty is a key factor to our success and contributes to our reputation. As such, we will continue to foster our customer-oriented values in all stages of our operations from product design to sales and marketing.

Maximize sales and profit through continuous upgrades to our products

We are focused on building residential properties with innovative and green technologies in environmentally friendly communities. Over the years, we have upgraded our residential products from 1.0 version products, through 2.0 and 3.0 version products, to the current 4.0 version products, which is represented by our Passive House Landsea Le Mansion in one of the commercial centers of Hangzhou, the PRC. The continuous upgrades, such as the provision of automatic light adjustments and anti-haze ventilation system, lowering energy consumption by adopting various energy-saving features and elevating the living experience by introducing innovative products such as intelligent interactive systems have improved resident’s living experience. Our upgrades are tailored for various markets in which we

have operations, taking into account the differences in market conditions, customers' preferences and spending power, so as to increase the popularity of our products in different markets and improve our sales and maximize our profitability.

We intend to make necessary adaptations to tailor our products to the needs of local customers, taking into consideration local market conditions, geography and climate and the prospects of applying our technologies, which we believe will enable us to effectively penetrate local markets.

Build our brand of long-term rental apartment business

In 2017, we developed our own long-term rental apartment brand named "Landsea Apartment". There are four types of products under the "Landsea Apartment" brand, namely white-collar apartments, boutique apartments, youth apartments and serviced apartments. Each type is tailored for certain groups of customers. For example, boutique apartments are designed with elite professionals and families in mind, while youth apartments are marketed to students and new hires. We have experienced considerable success with our long-term rental apartment products. As of December 31, 2017, we had 55 projects in a substantial number of cities in the PRC with a total GFA of approximately 0.5 million sq.m., covering, among others, Shenzhen, Chengdu, Nanjing, Ningbo, Xi'an, Shanghai, Suzhou, Wuxi and Beijing. In addition to long-term leases, we may also offer decoration services for properties and short-term rental that lasts one to six months for certain properties for greater cash flow.

We also entered into a partnership agreement with Ping An Real Estate in early 2018 with the aim to further expanding our long-term rental apartment projects. See "— Recent Developments — Apartment Rental Project with Ping An Real Estate." We believe that our access to execution ability in implementing our product strategies, experience with and knowledge about the local markets and financial resources for our projects set us apart from other potential and existing competitors that also operate long-term rental apartment business.

Develop and build a network of quality and comprehensive senior care facilities

We plan to develop and build a network of quality and comprehensive senior care facilities under our business unit named Chang Qingteng. Under the network, we plan to provide three main types of senior care services and cover selected cities or regions in China, with the aim to becoming a leading service provider in senior care services and facilities. The first type of facilities is independent supportive living facilities, which will serve senior citizens who prefer to stay at home or near home. Our services may include assistance with daily activities, homemaking and mid-levels of personal care. We also plan offer facilities with a small number of beds which may range from approximately ten to 15 beds, where senior citizens can come to stay for short periods. The second type of facilities is integrated supportive living facilities, which are intended to serve senior citizens who require additional assistance with daily activities and medium to high levels of care, including acute healthcare needs as well as specialized care programs such as rehabilitation and memory care. Supportive living facilities are may have 50 to 300 beds and provided with professional medical support. The third type of facilities is institutional supportive living, which are intended to serve senior citizens who prefer to live and age in institutions with medium to high quality care. We plan to have different types of settings for the institutional supportive living facilities, such as group homes and apartments, and target to occupy approximately 20,000 sq.m. for such facilities. We are currently operating eight independent supportive living facilities and two integrated supportive living facilities in Nanjing. As of December 31, 2017, about 80.0% of our beds at these facilities had been leased. We aim to expand our services and facilities to cover major cities in Yangtze River Delta region before entering into certain key cities or regions in China such as Shanghai, Jiangsu and Zhejiang.

Maintain and continue to improve prudent financial management and risk control policies

We will continue to closely monitor our capital and cash positions, gauge our development scale and time our land acquisition and development schedule accordingly. We have budget and financing planning and cash management at the project level as well as the group level. We will continue to carefully manage our development cost for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sales and pre-sales to ensure adequate cash flow for our ongoing capital requirements. We also plan to continue to develop and improve our comprehensive risk control policies by establishing a centralized command system under

which our specialized teams/committee will formulate funding risk classification, contingency plans for risk warning and emergency management and report directly to the board. We will continue to review and update project management and project investment evaluation and approval procedures in order to closely monitor any risks that may arise at different planning, assessment and execution stages of any given project. See “— Our Principal Business — Risk Control System for Funding Projects” for more details. We also plan to continue to seek business opportunities to cooperate with business partners to jointly develop property projects, to reduce our capital commitment. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

OUR PRINCIPAL BUSINESS

We mainly have three principal business segments, namely, property development, property development and management services and property investment.

Property Development

As of December 31, 2017, we had a total of 77 projects with a total planned GFA of approximately 12,865,868 sq.m., of which approximately 3,758,640 sq.m. were attributable to the Group.

These property developments are classified into three categories:

- Completed property developments, including property projects for which we have completed the construction of all their constituent buildings;
- Properties under development, including property projects with respect to which we have held our on-site commencement ceremony to start our preparatory work, such as geological survey and project and design planning, despite the fact that we may not have received the relevant construction permit; and
- Properties held for future development, including property projects we plan to develop with respect to which a more detailed development plan is not yet available.

The above classification of properties reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. In general, it takes us approximately 18 months to 27 months to construct a building or a building complex. Depending on the size of a development and other factors, however, the entire development period may last substantially longer. We also adjust the pace of our property developments to monitor selling prices, sales volume and the level of our land reserves. As a result, we may obtain multiple sets of governmental approvals and permits, including land use rights certificates from the relevant authorities for a group of property developments that we view as a single property development for business purposes.

The table below sets forth the GFA information of our 55 projects as of and for the year ended December 31, 2017. Many of our property developments consist of more than one parcel of land and require multiple land use rights certificates during the course of these property developments. Where our application for the land use rights certificate in respect of a parcel of land is still pending and we have not paid the land premium in full, we do not assign any value to the land and the properties on such land for the purpose of this offering memorandum. Our GFA information in this offering memorandum is based on our internal records. Information about our site area in this offering memorandum is based on our land use rights certificates or, if land use rights certificates are not available, based on our land grant contracts or land use rights transfer agreements.

	Site Area	GFA	Attributable GFA	Developed GFA	Developing GFA	GFA for future development	Contracted Sales	Contracted sales GFA	Attributable Interest	
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(RMB'000)	(sq.m.)	(%)	
<i>PRC projects</i>										
1	Shanghai Future Block	82,406	233,791	233,791	233,791	—	35,342	1,730	100%	
2	Hangzhou Mer De Fleus	81,905	180,473	180,473	180,473	—	92,508	2,782	100%	
3	Shanghai The Course of The Future	47,085	108,264	108,264	108,264	—	35,314	1,808	100%	
4	Nanjing Youth Block	164,494	314,704	314,704	167,558	147,146	778,040	56,825	100%	
5	Nanjing Future Home	50,543	133,530	66,899	133,530	—	83,933	7,871	50.10%	
6	Nanjing Landsea Xihua Mansion	81,561	202,487	26,263	—	202,487	2,067,219	59,122	12.97%	
7	Nanjing Poly Landsea Weilan	66,480	250,567	75,020	—	250,567	2,196,174	67,864	29.94%	
8	Suzhou 8 Renmin Road	26,591	85,231	43,468	—	85,231	702,836	26,516	51%	
9	Suzhou Green County of Landsea	163,615	432,700	237,985	184,200	248,500	862,338	44,855	55%	
10	Wuxi Tiancui	20,134	48,772	48,772	48,772	—	2,554	138	100%	
11	Wuxi Luka Small Town	67,575	139,689	139,689	115,100	24,589	23,108	1,953	100%	
12	Suzhou Lvzhou	—	—	—	—	—	14,440	243	20%	
13	Chengdu Southern Gate Green	63,605	235,149	58,787	—	235,149	1,458,267	79,016	25%	
14	Shanghai New Mansion	13,433	15,787	6,072	—	15,787	573,120	5,841	38.46%	
15	Hangzhou Landsea Xihua Mansion	41,055	139,152	68,184	—	139,152	3,190,843	70,150	49%	
16	Hangzhou Le Mansion	21,334	80,602	40,301	—	80,602	1,243,691	27,018	50%	
17	Chengdu Golden Sand City	169,238	685,684	67,951	—	440,759	244,925	285,107	17,546	9.91%
19	Tianjin Zhong Xin Eco-City Project	91,040	144,100	108,075	—	144,100	—	—	75%	
20	Tianjin Huoli Gang Project	107,419	155,136	54,298	—	59,332	95,804	—	35%	
21	Shanghai Putuo Changfeng, Project	7,363	18,406	4,233	—	18,406	—	329,940	6,273	23%
22	Suzhou High-Speed Rail New Town Project	27,359	92,600	47,226	—	—	92,600	—	51%	
23	Wuhan Xudong Project	33,115	130,529	39,159	—	—	130,529	—	30%	
24	Chengdu Muhua Road Project	186,319	1,022,400	49,586	—	—	1,022,400	—	4.85%	
25	Wuhan Sanjintan Project	84,894	235,532	11,777	—	235,532	—	—	5%	
26	Changsha Jurong Shuixi Project	133,286	245,541	2,455	—	80,541	165,000	—	1%	
27	Chengdu Landsea Xihua Mansion	56,916	367,753	121,358	—	367,753	—	1,902,753	112,731	33%
28	Hangzhou Yuhang North Upper Loop Bridge Project	15,080	37,699	18,850	—	—	37,699	—	50%	
29	Hefei Wanxin Hi-tech District Project	42,434	131,445	32,861	—	131,445	—	—	25%	
30	Hangzhou Xiasha Project	29,345	94,095	37,638	—	94,095	—	—	40%	
31	Hangzhou Ningbo Jiangbei Project	33,541	73,790	73,790	—	—	73,790	—	100%	
32	Chengdu Landsea Future Home	30,055	146,733	73,367	—	146,733	—	279,386	44,637	50%
33	Chengdu North Jianshe Road	3,890	30,157	15,079	—	30,157	—	—	50%	
35	Xian Jiapeng Project	18,305	72,196	50,537	—	—	72,196	—	70%	
36	Hefei Feidong Jade Garden	21,124	57,398	5,740	—	42,557	14,841	—	10%	
37	Yixing Red Star Macalline Project	79,702	220,044	112,222	—	—	220,044	—	51%	
38	Jiangyin Chengjiang Project C-10	42,328	134,812	25,614	—	—	134,812	—	19%	
39	Jiangyin Chengjiang Project C-11	25,738	85,820	16,306	—	—	85,820	—	19%	
40	Suqian Weilan Xiyuan	70,211	225,000	225,000	—	18,474	206,526	—	100%	
41	Suqian Weilan Yayuan	61,213	193,500	193,500	—	6,436	187,064	—	100%	
42	Chongqing Caijia Project	174,734	272,520	69,493	—	—	272,520	—	25.5%	
43	Haining University District Project	30,095	84,266	67,413	—	—	84,266	—	80%	
44	Nanjing Lishui Project	70,710	210,485	42,096	—	—	210,485	—	20%	
<i>U.S. projects</i>										
45	Avora	7,972	31,776	16,206	—	31,776	—	232,851	3,198	51%
46	The Westerly	67,178	34,560	34,559	983	819	32,758	—	100%	
47	Pierce Boston	2,307	39,202	9,801	—	39,202	—	416,617	3,955	25%
48	Stoney Ridge & Stoney Hill	6,070	5,017	5,017	334	1,171	3,512	38,449	870	100%
49	Siena	11,817	12,079	12,079	—	—	12,079	—	100%	
50	IronRidge	194,128	143,781	143,781	2,634	48,800	92,347	143,284	5,340	100%
51	The Vale	81,722	77,694	55,163	—	43,787	33,907	693,539	13,615	71%
52	Lido Villas	4,856	4,350	4,350	—	—	4,350	—	100%	
53	Synagogue	700	4,049	3,644	—	4,049	—	—	90%	
54	Sanctuary — Village II	313,834	259,745	259,745	—	226,026	33,719	—	100%	
55	Kingswood	—	—	—	—	—	—	117,751	4,092	100%
	Total	3,327,852	8,380,791	3,758,640	1,175,639	3,641,160	3,563,993	17,799,404	665,989	

The total saleable GFA listed in the above table includes residential units intended for sale and commercial and office space that may be sold or leased at our choice. We lease some of our properties where we believe that the economic benefits of leasing are likely to exceed that of selling. We also lease properties at flexible terms until we sell them when we expect the sale of the relevant property development will take a considerable period of time.

In general, land use rights in the PRC are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for ancillary use properties including parking spaces. The relevant authorities will not issue the formal land use rights certificate in respect of a piece of land until the construction land use approval and the land planning permit have been obtained by the developer and the developer has paid the land premium in full and completed the resettlement process. As a result, in order to adjust to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development.

As of December 31, 2017, we had a total of 77 projects with a total planned GFA of approximately 12,865,868 sq.m. in total planned GFA, of which approximately 3,758,640 sq.m. were attributable to the Group.

Location	Approximate Total GFA (sq.m.)	Approximate GFA Attributable to the Group⁽¹⁾ (sq.m.)
Shanghai	376,248	352,360
Ma'anshan	330,339	—
Neijiang	255,343	—
Tianjing	299,236	162,373
Wuxi	1,411,511	342,603
Beijing	45,860	—
Chuangsha	245,541	2,455
Hefei	328,252	38,601
Chengdu	2,539,810	386,128
Xi'an	72,196	50,537
Hangzhou	605,811	419,236
Wuhan	366,061	50,936
Nanjing	2,389,844	524,982
Jinan	182,692	—
Chongqing	272,520	69,493
Tangshan	134,625	—
Xuzhou	433,637	—
Haining	84,266	67,413
Suzhou	741,633	328,679
Suqian	418,500	418,500
Changzhou	177,769	—
Zhenjiang	192,904	—
Zhangjiakou	128,446	—
Baoding	11,320	—
Yancheng	209,251	—
U.S.	612,253	544,344
Total	12,865,868	3,758,640

Note:

(1) "Approximate GFA Attributable to the Group" means the approximate square meters in gross floor areas in which the Group held equity interest.

Our site area information in this offering memorandum is based on our land grant contracts or land use rights transfer agreements. Our GFA information in this offering memorandum is based on our internal records. The commencement dates described in this offering memorandum refer to the dates on which we hold the on-site commencement ceremony for the project. This date may be prior or subsequent to the receipt of the relevant construction permit.

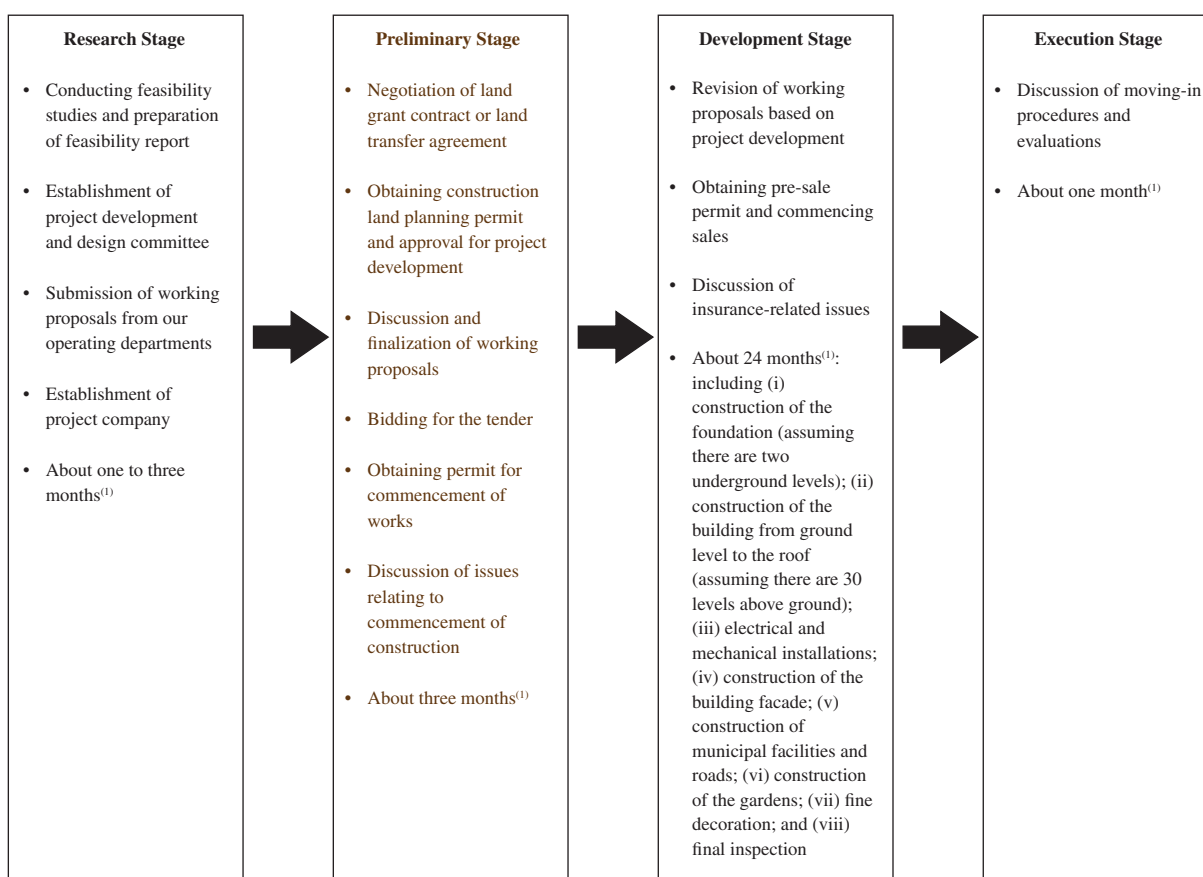
As used in this offering memorandum, the completion date of a property development refers to the completion of the entire development and is determined on the following basis:

- where the construction of all constituent buildings of the property development has been completed, the completion date of that property development is taken to be the date on which the construction is completed; and
- where the construction of all constituent buildings of the property development has not yet been completed, the completion date of that property development represents our Directors' best estimate based on our current development plans.

Property development. We primarily engage in the development and sale of quality private residential properties to the middle to upper-middle income residents in Shanghai, Hangzhou, Nanjing, Suzhou and Wuxi in the PRC and certain selected cities in the U.S., such as San Francisco, Los Angeles, Boston and New York. We will continue to focus on the property markets where we have existing operations and pursue quality business opportunities in other fast growing Chinese and U.S. cities.

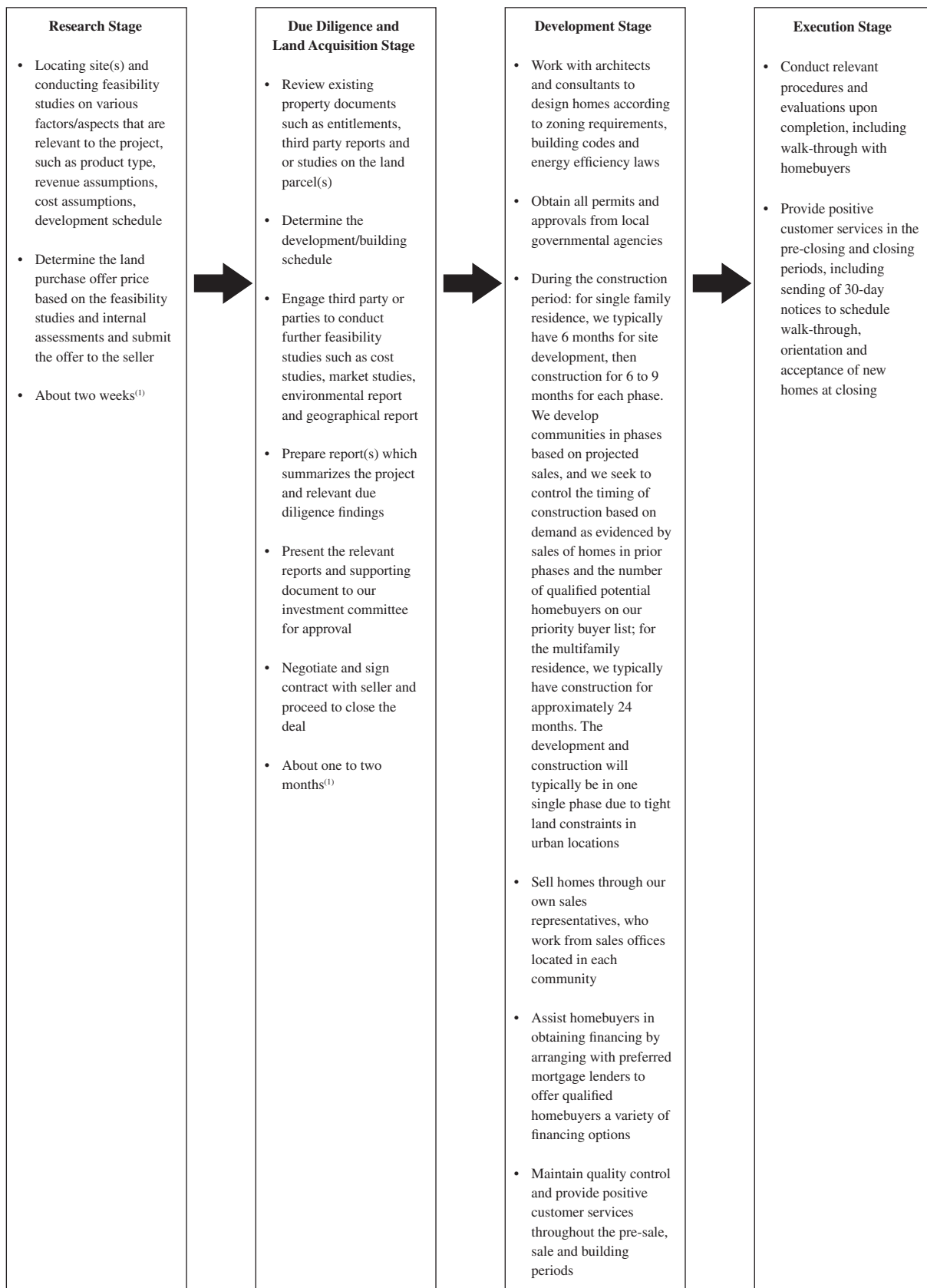
Although each concept and project development is unique in its own way as it is designed to cater to the preferences of specific target markets, we adopt a systematic operational approach beginning with planning, design and construction to pre-sale and after-sale support. A summary of the stages and elements of our property development process is outlined below.

For the PRC market



Note:

(1) This is an estimated range as the required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. As mentioned above, the sequence of specific planning and execution activities may also vary among projects as they may be subject to the requirement of local laws and regulations.



Note:

(1) This is an estimated range as the required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. As mentioned above, the sequence of specific planning and execution activities may also vary among projects as they may be subject to the requirement of local laws and regulations.

Site selection. We consider the site selection process to be fundamental to the success of our property development. The scope of our market research and the extent to which we conduct feasibility studies before launching a property development varies, depending on our knowledge and experience in the locality, the nature of the proposed development and the availability of information from other sources. In general, we apply the following criteria in selecting sites for development:

- estimated cost, investment and financial return ratios;
- consumer demand for properties in that area;
- amenities close to the site (such as natural parks, greenery, schools, rivers and commercial facilities);
- existing infrastructure;
- government development plans for the relevant site and the neighbouring area; and
- competition from other developments in the locality.

In line with our prudent financial practices, we determine the maximum offer price for a parcel of land based on our cost estimates and target returns before bidding for or negotiating the purchase of the land. Based on our current developments and growth targets, we expect to maintain sufficient land reserves to fulfil our development requirements for a period of three years on a rolling basis. As of December 31, 2017, we have approximately a total planned GFA of approximately 12,865,868 sq.m. of which our attributable interest was 3,758,640 sq.m. We continually search for land sites which meet our selection criteria.

Land acquisition. We obtained our land reserves through the following methods:

- participation in government-organised tenders, auctions and listings-for-sale; and
- cooperation with third-party property developers that hold land use rights to jointly develop a project.

We primarily acquire land through tender, auction and listings-for-sale from the PRC government in accordance with relevant PRC laws and regulations.

The Provisions on the Assignment of State-owned Land Use Right through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources provide that, from July 1, 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When deciding whom to grant land use rights, the relevant authorities will consider not only the tender price, but also the credit history, qualifications and tender proposal of the tenderer. We believe these measures have resulted in a more transparent land grant process, which has enabled developers to compete more effectively. We have been prudent in our financial management and we endeavour to maintain sufficient cash flows for our operations in addition to land acquisition. We therefore believe that these measures will not have a material adverse effect on our land acquisition strategy and operations. Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market. Subject to the terms of the land use right grant and relevant registration requirements, we may choose to acquire land from such third parties. The availability of privately held land will, however, remain limited and subject to uncertainties. As of December 31, 2016, in terms of GFA, all of our current land bank has been acquired directly from the local governments.

On June 5, 2003, the PBOC published the Notice on Further Strengthening the Administration of Real Estate Loans (中國人民銀行關於進一步加強房地產信貸業務管理的通知). This notice prohibits commercial banks from advancing loans to fund the payments of land premiums. As a result, real estate developers may only use their own funds to pay for land premiums.

In September 2007, the Ministry of Land and Resources further promulgated the Provisions on the Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定) to require that land for industrial use, except land for mining, must also be granted by public tender, auction and invitation for bidding. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). This Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the “**Notice**”) on March 8, 2010. According to the Notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not be less than 70% of the basic land price of the place where the granted land is located and the real estate developers’ bid deposit should not be less than 20% of the lowest grant price. The land grant agreement must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant agreement. The rest payment should be paid in accordance with the agreement, but no later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land should not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On September 21, 2010, the Ministry of Land and Resources and the MOHURD issued the Notice of the Ministry of Land and Resources and the MOHURD on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知), to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an undertaking letter stating that the bid security is not from any bank loan, shareholders’ borrowing, on-lending or raised funds and the credit certificate issued by commercial financial institutions. If the bidders are found to have conducted any of the following illegal or irregular activities the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (1) committing crimes such as forgery of instruments with an aim to illegally sell the land; (2) conducting illegal activities such as illegal transfers of land use right; (3) where the land is idling for a period of more than one year due to the enterprises’ reasons; or (4) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Pursuant to the Notice on Further Strengthening the Administration and Control of Land-Use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知) jointly promulgated by the Ministry of Land and Resources and the MOHURD on September 21, 2010, the grant of two or more bundled parcels of lands or uncleared lands (毛地) is prohibited.

According to the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) promulgated by the Ministry of Land and Resources and the MOHURD on July 19, 2012, the grant of land shall not exceed the upper limit of prescribed area limit and the plot ratio of the land shall not be less than one.

We have also employed land acquisition strategies to acquire land at competitive costs by cooperation with leading third-party property developers through joint ventures. We believe that by sharing common business concepts and leveraging our respective strengths and experiences in project development, such cooperation can achieve “win-win” resolutions for us as well as our joint venture partners.

Financing of our property developments. We have three main sources of funding for our property developments: shareholder loan from our controlling shareholder, Landsea Group Co., Ltd, external financing including bank loans, L/C financing, trust financing and proceeds from offerings of senior notes and proceeds from pre-sales. Our financing methods vary from project to project. Nevertheless, in order to reduce the level of external funding, our policy is to finance our property developments with internal resources to the extent practicable and pre-sell the development as soon as we meet the regulatory requirements for pre-sale and market conditions allow.

When we obtain bank loans to fund our property developments, the banks will typically require guarantees from us, our affiliates or third parties and/or mortgages over our assets. As of December 31, 2017, our outstanding borrowings consist bank borrowings in the amounts of RMB1,896.6 million (US\$291.5 million), loans from its ultimate holding company in the amount of RMB1,665.0 million (US\$255.9 million), sell and buy-back arrangement in RMB270.3 million, the 2016 EB-5 Loan and the 2017 EB-5 Loan in the aggregate amount of RMB521.3 million (US\$80.1 million), loans from other financial institutions in the aggregate amount of RMB326.7 million (US\$50.2 million), discounted bank acceptance note in the amount of RMB90.0 million (US\$13.8 million) and senior private notes in the aggregate principal amount of RMB659.5 million (US\$101.4 million).

Project design and interior design work. We have been applying the concept of “energy-saving, environmentally-friendly, healthy, comfortable, safe” to our designs. Leveraging our core energy-saving technologies we have managed to promote low-carbon lifestyles and favourable living environment and build comfortable and quality ecological residence with reasonable planning, full function, convenient access, lush surroundings and cultural elements. We also pay attention to protect the ecological environment in community and enhance the living quality through reasonable allocation and utilization of resources, which fully presents the intention of sustainable development. We have a dedicated team of designers and engineers, which comprises architects, planning experts, landscaping specialists, interior designers as well as structural, mechanical, electrical and plumbing engineers. In determining the design of a particular property development, the designers and engineers will consider the targeted market segment, the size and surrounding environment of the site, the type of development, and the GFA to site area ratio (commonly known as the plot ratio) determined by the relevant government authorities.

Construction work. All of our construction work is outsourced to qualified construction companies. Pursuant to the Tender Law of the People’s Republic of China (中華人民共和國招標投標法), effective January 1, 2000, and its implementing regulations, we are required to select construction companies through a tender process for each construction project where the estimated total investment for the project would exceed RMB30 million or where the estimated sum payable under a single property development related contract would exceed RMB2 million. We select most of our construction contractors through this tender process as most of our property developments fall within the above category. Under PRC tender laws and regulations, during the tender process, the minimum tendering prices are determined in accordance with the construction pricing criteria prescribed by provincial or municipal construction authorities and the quality standards for the construction of the main structure of a building are required to satisfy criteria prescribed by the PRC Government. The Tender Law provides for two types of tender process, namely, public tender and tender by invitation. For construction projects

that involve state-owned assets, developers are required to use a public tender process. However, as a private developer, following receipt of an approval from the local authority we are allowed to organise the tender by inviting no fewer than three qualified construction companies to submit bids for the construction of a project. A tender assessment committee, no less than two-thirds of which must be made up of government-certified experts, will review the bids and select the construction company based on criteria pre-set by the committee on a case-by-case basis. We are allowed to select up to one-third of the committee members, but for most of our property developments we have selected all the committee members at random from the pool of government-certified experts to take advantage of their expertise. According to the Panel of Experts and the Management of the Experts Database Provisional Measure (評標專家和評標專家庫管理暫行辦法):

- (1) the expert database, which must consist of at least 500 experts, is set up by the PRC provincial governments or tender agent organizations in accordance with the Tender Law;
- (2) the relevant PRC provincial government or tender agent organization supervises the panel of experts and the expert database;
- (3) the experts in the expert database are required to competently, impartially, honestly and sincerely perform their duties. They are not allowed to initiate contact with the tenderer in private or receive bribery, or benefit in any kind;
- (4) the experts are included in the expert database by way of individual application or recommendation. The experts must be individually assessed by the relevant PRC provincial government or tender agent organization before they are selected for the expert database and their inclusion in the database is subject to annual review; and
- (5) an expert will receive a warning from the relevant PRC provincial government if he or she breaches his or her duties and is subject to removal from the expert database if the breach is considered serious.

Since the promulgation of the Tender Law, we have selected our construction contractors through the tender by invitation process for most of our property developments. We intend to continue this practice for our future developments.

We enter into construction contracts with construction companies selected from the bidding process based on the terms of the tender documents. The construction contracts contain warranties from the construction companies in respect of quality and timely completion of the construction. We require construction companies to comply with PRC laws and regulations on quality of construction products as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Construction payments are determined primarily on the basis of the estimated labour and material costs and fitting requirements and usually are computed on a per sq.m. basis. In the event of delay in construction or unsatisfactory quality of workmanship, we may withhold construction payments or require the construction companies to pay a penalty or provide other remedies under PRC law and our contracts to recover any loss.

Procurement. We have established a full set of assessment system for suppliers. In selecting candidates for our project development suppliers, we require the suppliers must have ISO14001 (Environment Management System) certification to be qualified. Our procurement department, design department, engineering and technical departments carry out onsite visits to review our suppliers' complete business procedure from production to transportation and its management system. We prioritise green suppliers and green energy-saving products.

We require suppliers to meet our unique "5E" standard, namely "Ecologic, Economic, Effective, Empirical and Excellent". We also enter into integrity agreements with each of our suppliers.

Quality control. We place a strong emphasis on quality control to ensure that the quality of our products and services complies with relevant regulations and meets market standards. We have quality control procedures in place in our different functional departments as well as in each construction supervisory company.

We engage third-party construction supervisory companies to supervise the construction of our property developments pursuant to relevant PRC regulations. These construction supervisory companies are qualified entities specialised in construction supervision. The construction supervisory company engaged for a property development oversees the progress and quality of the construction work from beginning to end. Under our construction supervisory contracts, construction supervisory companies are empowered to inspect, advise and request rectification of any non-compliance, as well as to order suspension of construction in specific circumstances.

We place heavy emphasis on safety and health management at construction sites and has established and continued to improve procedures for construction safety management and guidelines on the practice for safe and civilised construction. Every chief project manager is vested with responsibility for safe and civilised construction, which is stringently linked up with the team and individual performance evaluation. We encourage our contractors to apply for the ISO9001 (Quality Management System) certification, OHSMS18001 (Occupational Health, Safety and Management System) certification and ISO14001 (Environmental Management System) certification, and apply these standardised procedures as criteria in selecting contractors. We also include the material sources of danger and safety risks in construction sites to the criteria of third party assessment and adopt the “one defect is enough for elimination” system for strict management of a safe, civilised healthy construction.

We also carry out detailed assessment on the eco-friendly aspects to our properties by assessing criteria including the light and wind environment, building thermal design, noise reduction and water conservation measures. Below is a list of assessment factors that we consider:

Specification	Description
Planning	Design Concept Community Light Environment Community Acoustic Environment Community Wind Environment Green Configuration Permeable Ground
Construction	Underground Space Thermal Calculation Dew Point Temperature Adjustable Shading Natural Ventilation Indoor Lighting Acoustic Insulation Building Materials
Water Supply and Drainage	Integrated Planning Water Saving Appliances Water Saving Irrigation
Electricity	Lighting Power Density Intelligence Community

We have received the Excellence in Design for Greater Efficiency (EDGE) certification from the International Finance corporation and the platinum certification from the German Sustainable Building Committee of the DGNB. In addition, as of December 31, 2017, 29 of our property development projects in China have received the National Green Three-Star identification, a certification awarded only to properties that have met the Green Building Assessment Standards (GB/T 50378-2014) from the Ministry of Housing and Urban-Rural Development of the PRC and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, which account for approximately 27% of our total number of projects as of December 31, 2017, making us the company with the most property projects with such certification in the PRC as of December 31, 2017.

Pre-sale. Under the PRC Law of the Administration of Urban Real Estate (城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), we must meet the following conditions before the pre-sale of a particular property can commence:

- the land premium must have been paid in full and the relevant land use rights certificate been obtained;

- the construction planning permit and the construction permit must have been obtained;
- the funds earmarked for the development of a property development must not be less than 25% of the total amount to be invested in the project and the progress and the expected completion date of the construction work must have been confirmed; and
- the pre-sale permit must have been issued.

Sales and marketing. Our internal sales and marketing department is responsible for managing our sales and marketing functions. Our sales managers and our marketing managers cooperate closely to determine appropriate advertising and sales plans for a particular property development. They also work together to plan and organise efficient and orderly on-site sales procedures, conduct market research, design sales and pricing strategies, arrange promotional activities and collect customer data and comments. They also prepare feasibility studies based on market analysis. In addition, we engage professional advertising and consulting firms for some of our projects which provide us with marketing and strategic consulting services.

As part of our sales and marketing strategy, we advertise in newspapers, magazines, on television, radio and outdoor advertising boards. We organise customer events and product exhibitions to improve customer relations and enhance their confidence in our products. In addition, we offer referral rewards to existing customers, such as souvenirs. We believe that these measures encourage referrals by our existing customers.

We provide shuttle services to potential purchasers who are interested in visiting our property developments. The shuttle buses pick up potential purchasers at designated points and take them to selected property developments, mainly large residential property developments for sale. We also set up on-site sales centres for each of our property developments.

In 2015, 2016 and 2017, our sales and marketing efforts have successfully attracted customers from the middle to upper-middle income class, including white collar employees, small business owners and middle to senior management in enterprises. We will continue to target the middle to upper-middle income residents in Shanghai, Hangzhou, Nanjing, Suzhou and Wuxi in the PRC and certain selected cities in the U.S., such as San Francisco, Los Angeles, Boston and New York in which we currently operate or into which we expect to expand our operations.

Payment and end-user financing. Purchasers may pay for our properties by way of a lump sum payment or payment in instalments. If a purchaser chooses to pay by instalments, the last instalment must generally be made no later than the time of delivery of the property.

We make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers. In most cases, guarantees for mortgages on residential properties are discharged when we submit the individual property ownership certificates and certificates of other interests in the property to the mortgagee bank. In such cases, the guarantee periods normally last for around 12 to 24 months, taking into account the approximate one year needed to complete construction and the additional two years for the application for and issuance of the individual property ownership certificates. Guarantees provided for mortgages on some of our commercial and residential properties, however, will not be discharged until the relevant mortgage loan has been paid off. In general, the maximum mortgage terms in respect of residential properties and commercial properties are 30 years and 10 years, respectively, after the mortgage loans have been drawn down. The existing full-term guarantees are expected to be discharged upon the full repayment of the underlying loans. If a purchaser defaults on a mortgage, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any remaining amount outstanding from us. In recent years, the banks in the PRC do not normally require developers to provide full-term guarantees for mortgages.

When a purchaser defaults on a mortgage, we may decide to repurchase the underlying property by paying off the mortgage loan if we believe we can re-sell the property at a profit. In other cases, the mortgagee bank would auction the underlying property and recover any amount outstanding from us if the proceeds from the foreclosure are not sufficient to satisfy the delinquent loan. In line with industry

practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. There have not been defaults where we have been called upon to honour our guarantees in the past three years. As of December 31, 2017, our outstanding guarantees in respect of the mortgages for certain purchasers of our properties amounted to approximately RMB2,140.6 million (US\$329.0 million). In addition, on December 31, 2016, we provided a guarantee of RMB141,558,000 to a wholly-owned subsidiary of a 50% joint venture for its bank borrowings. For more information relating to the risks associated with our guarantees provided to support our customers, please refer to the section entitled “Risk Factors — Risks Relating to Our Business — We provide guarantees for mortgage loans of our customers and may become liable to mortgagee banks if our customers default on their mortgage loans” in this offering memorandum.

Delivery of property. We endeavour to deliver quality products to our customers on a timely basis. We closely monitor the progress of construction of our property developments as well as conduct property inspections to ensure timely delivery. Our pre-sale or sale contracts provide for the time frame for delivery. Once a property development has passed the requisite government inspections and is therefore ready for delivery, our customer service staff will notify our customers and hand over keys and possession to the properties.

After-sale services. We provide after-sale services to our customers through different functional departments. Our finance department works with our sales and marketing department to assist our customers in arranging for and providing information relating to financing, including information on potential mortgage banks and the mortgage terms they offer. Our development centre assists our customers with various title registration procedures relating to the property. Our customer services department organises various customer functions and coordinates with the property management companies to handle customer complaints.

We conduct customer satisfaction surveys on a regular basis and have set up a telephone hotline and an online forum that provide channels of communication between us and our customers. We believe that our aftersale services inspire customer confidence and are effective in enhancing our brand name and in encouraging customers to purchase, or recommend others to purchase, properties we have developed.

Property Development and Management Services

Under our asset-light business model, we cooperate with various financial institutions or corporations to provide property development management services to projects, which include management of properties, sales management service, integration services involving green products or technologies and brand authorization service. For the year 2017, we generated RMB753.2 million (US\$115.8 million) in revenue from our property development and management services.

Our operations. Our property development and management services are complement to our property development business. We are able to provide our customers, whether external or related parties, with one-stop solutions because we are able to offer various development and management services that enhance the overall customer experience and create greater efficiency and convenience. Currently, our property development and management services provide the following main products or services:

- *Property management.* We provide various property management services needed by residents of properties developed by us or third parties, including security and cleaning staff, design work for properties under development and decoration services. For example, we can introduce specialized and tailored green technologies such as zero-formaldehyde control to our customers to improve the environmental quality of properties. We provide project management and consultancy services to our controlling shareholder, Landsea Group Co., Ltd. On February 23, 2014, we entered into the Property Development and Management Services Agreement with our controlling shareholder, Landsea Group Co., Ltd. to provide comprehensive development and management services including project management, sales management and financing advisory for Landsea Group Co., Ltd.’s existing projects. In addition, fees derived from such services will also bring in substantial revenue and cash inflow for us. The Property Development and Management Service Agreement ended on

December 31, 2016. During the year ended December 31, 2016, we received a total of approximately RMB74.0 million from Landsea Group Co., Ltd. for the property development and management services provided.

- *Sales management service.* We lend sales personnel to assist with activities or events associated with property sales, which may include promotional events for pre-sales and, marketing campaigns and training of sales force of third parties.
- *Integration services involving green products or technologies.* We mainly offer our integration services to related parties which include various integrated green technologies or products, such as the integration of geothermal heat pump technology and roof radiation technology.
- *Brand authorization service.* We authorize third parties or related parties to use our Landsea brand (or sub-brands), as our projects or products are recognized by customers in various markets for their advanced green and energy-saving technologies and environmental awareness, attracting the interests from financial institutions and developers for strategic cooperation and project development. We usually enter into agreement with the cooperative partners with respect to our brand authorization fees depending on the type of projects or work involved, for their products or services.

Property Investment

Our property investment mainly include the management of our investment property, Dawning Tower.

Landsea Tower. As of December 31, 2017, we had one investment property, namely Landsea Tower, located in Shenzhen, the PRC. In the year ended December 31, 2017, we recognised an income of approximately RMB26.5 million from this property. Owing to its prime location and quality property management services, Dawning Tower managed to maintain high level occupancy rate during 2017. High occupancy rate and effective cost control secured steady net operating profit for Dawning Tower.

Long-term Rental Apartments. In 2017, we developed our own long-term rental apartment brand named “Landsea Apartment”. There are four types of products under the “Landsea Apartment” brand, namely white-collar apartments, boutique apartments, youth apartments and serviced apartments. Each type is tailored for certain groups of customers. For example, boutique apartments are designed with elite professionals and families in mind, while youth apartments are marketed to students and new hires. We have experienced considerable success with our long-term rental apartment products. As of December 31, 2017, we had secured 55 projects with 526,000 sq.m. As of December 31, 2017, we had 55 projects in a substantial number of cities in the PRC with a total GFA of approximately 0.5 million sq.m., covering, among others, Shenzhen, Chengdu, Nanjing, Ningbo, Xi’an, Shanghai, Suzhou, Wuxi and Beijing. In addition to long-term leases, we may also offer decoration services for properties and short-term rental that lasts one to six months for certain properties for greater cash flow.

We also entered into a partnership agreement with Ping An Real Estate in early 2018 with the aim to further expand our long-term rental apartment projects. See “— Recent Developments — Apartment Rental Project with Ping An Real Estate.” We believe that our access to execution ability in implementing our product strategies, experience with and knowledge about the local markets and financial resources for our projects set us apart from other potential and existing competitors that also operate long-term rental apartment business.

Risk Control System for Funding Projects

We place a strong emphasis on monitoring and managing risks associated with funding for our projects. From the project management perspective, we have procedures in place to ensure that each stage of a project is carefully monitored to ensure that decisions are made after taking into account of all variables could affect the outcome of a project, from examination of market position, target customer, products and technologies to the implementation of technical and financial plans and strategies. From the project investment perspective, we have set out specific requirements for each stage of a project and established different monitoring criteria for different levels of investment depending on the investment

amount. We have established four levels of risk indicators for funding, consisting of (i) serious crisis, which is for projects with a balance of less than RMB1.2 billion and a cash ratio of less than 4%, (ii) crisis, which is for projects with a balance of less than RMB1.5 billion and a cash ratio of less than 5.5%, (iii) serious, which is projects with a balance of less than RMB2.0 billion and a cash ratio of less than 7%, and (iv) normal, which is for projects with a balance of over RMB2.4 billion and a cash ratio of more than 7%. We have formulated detailed assessment criteria and procedures for each of the four categories and closely monitor our project teams follow such procedures to ensure that the projects are reviewed and approved by a number of responsible teams before gaining the approval of investment committee and eventual approval by the Board. We believe that our risk classification system and risk control policies will help us to better develop responses to any risk related to our project funding.

Properties Used by Us

As of December 31, 2017, we rented, through 12 subsidiaries, 41 premises from independent third parties with a total area of approximately 336,953 sq.m.

Research and Development

We rely on the research and development capabilities of our controlling shareholder, Landsea Group Co., Ltd., for planning and designing our projects and managing the entire process from making the proposal to creating the construction drawing.

The building of a comfortable and environmentally friendly property requires not only certain construction techniques used in isolation. It also requires an integrated approach in applying all construction techniques in order to overcome problems caused by differences in the construction environment and, changes in customers' needs, and to overcome various obstacles in the design and construction process. Such an approach enables the transformation from design to the finished product which meets market requirements for eco-friendly buildings. We have accumulated a wealth of experience, through years of development and practice, in the integration and practical application of energy-saving technology, which has helped shape our green technology system. Further, in order to target the need of each construction project, we have prepared a wide variety of options to meet differing weather, environment and customers' needs. Following continuous development and practical application, we continue to improve our existing technology, explore new technology and perfect our green technology systems.

Competition

We believe that the property markets in the Yangtze River Delta are highly fragmented. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including several leading developers from Hong Kong. Some of our competitors target different segments of the PRC real estate market; some engage in other activities in addition to real estate development; and some are focused only regionally or nationally. However, we may not compete directly with them due to different focuses. In addition, our competitors may, however, have more experience and resources than us. For more information on competition, please refer to the section entitled "Risk Factors — Risks Relating to the Real Estate Industry in China — Increasing competition in the property industry in China".

Intellectual Property Rights

We conduct business mainly under the "Landsea" or "朗詩綠色地產" brand names and logos. We use domain names "landsea.hk," "landsea.com.hk," "landsea.co.nz" and "landsea.cn." As of the date of this offering memorandum, we are not aware of any material incidence of intellectual property rights infringement claims or litigation initiated by others and vice versa. As of December 31, 2017, we had 199 patents related to construction using green or innovative technologies.

Employees

As of December 31, 2017, we had 2,110 full time employees responsible for management, executive, technical and general functions in Hong Kong and the PRC.

In order to achieve continuous and long-term development, we provide a variety of learning resources to our employees and encourage them to develop and upgrade themselves through various channels. We design different training programmes based on different specialties and levels of our employees, such as training and tutorial with motivation stimulation for new employees, training for mid-level managers, training for mid-to-high level management, training for project general managers and functional and professional clubs. We encourage and support our employees for lifelong learning by subsidising them a proportion of the fees and expenses as support upon obtaining their degrees or professional certificates during their tenure of office, and endeavour to create and enhance atmosphere and space for all employees to develop and grow.

We are subject to social insurance contribution plans organised by the PRC local governments. In accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay on behalf of our employees monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive with market rates. In addition to the medical insurance for our employees in accordance with relevant national laws and regulations, we also provide annual coverage of other supplementary business insurance for all employees and their children, such as outpatient care, inpatient care and accident insurance. At the same time, we also provide family supplementary medical insurance for our employees' voluntary participation. We provide domestic and overseas travelling opportunities to all employees annually. Furthermore, we provide interest-free loan scheme for eligible employees to relieve their pressure of home purchase. Moreover, we have routine physical examination for our employees annually and provide health evaluation reports.

Insurance

Real estate developers in China are not required to maintain insurance coverage in respect of their property development operations. Nonetheless we have provided insurance coverage in respect of the property under development. In addition, we do not carry insurance against personal injuries that may occur during the construction of our properties except that we purchase accident insurance against personal injuries that may occur to construction workers on behalf of our construction contractors. The construction companies, however, are responsible for the quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC law. To ensure construction quality and safety, we require our construction contractors to strictly comply with relevant PRC laws and regulations in respect of construction quality and safety as well as our own standards and specifications. We also engage qualified supervision companies to oversee the construction process. Under PRC law, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that he is not at fault. Since we have taken the above positive steps to prevent construction accidents and personal injuries, the Directors believe that we will have sufficient evidence to prove that we are not at fault as the property owner in the event that a personal injury claim is brought against us. In addition, according to our construction contracts, any liability that may arise from tortious act committed on work sites will be borne by the construction companies.

We believe our insurance policy is in line with the industry practice in the PRC. However, there are risks that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See the section entitled “Risk Factors — Risks Relating to Our Business — We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, results of operations and financial condition may be materially and adversely affected” for details.

Environmental and Safety Matters

The laws and regulations governing the environmental protection for real estate developments in China include the PRC Environmental Protection Law (中華人民共和國環境保護法), the PRC Environmental Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the PRC Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities

grant approval for the commencement of construction of the real estate development. In addition, upon completion of the real estate development, the relevant environmental regulatory authorities will also inspect the property project to ensure compliance with the applicable environmental protection standards and regulations before the property project may be delivered to the purchasers.

We seek to an environment-friendly, society-friendly and sustainable business model and provide green, low-carbon and safe products and services to clients following the principle of minimising total consumption of construction resources in the entire lifecycle with aim to advocate green and health lifestyles.

Legal Proceedings

We are involved in various legal proceedings arising out of the ordinary course of our business, including claims relating to our guarantees for mortgages provided to our purchasers and contract disputes with our purchasers and suppliers. We do not anticipate significant legal costs or legal fees will be required to defend ourselves in these proceedings.

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See “Risk Factors — Risks Relating to Our Business — We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.”

DIRECTORS AND SENIOR MANAGEMENT

As at the date of the offering memorandum, the members of the board of directors (the “Board”) and senior management of the Company are as follows:

<u>Name</u>	<u>Position</u>
Mr. TIAN Ming (田明)	Chairman and Executive Director
Mr. XIANG Jiong (向炯)	Executive Director and Chief Executive Officer
Ms. SHEN Leying (申樂瑩)	Executive Director and Co-Chief Executive Officer
Mr. XIE Yuanjian (謝遠建先生)	Executive Director and Chief Technology Officer
Ms. ZHOU Qin (周勤)	Executive Director
Mr. ZHOU Yimin (鄒益民)	Non-executive Director
Mr. XU Xiaonian (許小年)	Independent Non-executive Director
Mr. DING Yuan (丁遠)	Independent Non-executive Director
Mr. LEE Kwan Hung (李均雄)	Independent Non-executive Director

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. TIAN Ming (田明), aged 57, serves as our chairman of the board and executive director since July 31, 2013. Mr. Tian has a master of business Administration degree from China Europe International Business School. Mr. Tian founded our controlling shareholder, Landsea Group Co. Ltd. (朗詩集團股份有限公司) in 2001 and is now the largest shareholder and also the chairman and president of the Landsea Group Co., Ltd. and its subsidiaries. Mr. Tian has more than 16 years’ extensive experience in the fields of competitive strategy, operation management and property investment and development. Mr. Tian is widely recognised by industry peers as a pioneer in green property industry.

EXECUTIVE DIRECTORS

Please see “Chairman and Executive Director” for the description of the experience of **Mr. TIAN Ming (田明)**.

Mr. XIANG Jiong (向炯), aged 47, serves as our executive director since November 18, 2013 and our co-chief executive officer since February 23, 2014. He holds a bachelor’s degree of engineering from Huaqiao University and a master’s of business administration degree from China Europe International Business School. Mr. Xiang has over 20 years of working experiences in real estate marketing and operations management.

Ms. SHEN Leying (申樂瑩), aged 40, serves as our executive director since July 31, 2013 and our co-chief executive officer since February 23, 2014. Ms. Shen has a master’s of media communication degree from Shanghai University. Ms. Shen had been working in Gallup Consulting from 2002 to 2011 and had served in the positions such as research and consulting director, member of the management committee of the Shanghai office. Ms. Shen led a team to provide management consulting services to over 60 global and mainland well-known enterprises.

Ms. Shen has more than 15 years’ experience in various areas including corporate management, operational efficiency management, market strategy, customers relationship management, brand research, leadership evaluation and development.

Mr. XIE Yuanjian (謝遠建), aged 53, serves as our executive director and our chief technology officer since July 31, 2013. Mr. Xie has a bachelor's degree of architecture from Logistical Engineering University of PLA, Masters of Business Administration degree from China Europe International Business School, and is a national first-class registered architect and senior engineer. Mr. Xie has more than 20 years' working experience in the fields of architectural design and technology research and development.

Ms. ZHOU Qin (周勤), aged 44, serves as our executive director since August 15, 2016. Ms. Zhou is a member of our Remuneration Committee. Ms. Zhou is our Chief Human Resource Officer. Ms. Zhou has an Executive Masters of Business Administration degree from China Europe International Business School in 2001 and a Masters of Business Administration degree from Nanjing University. Ms. Zhou has nearly 21 years' experience in business development, investment and operation management in real estate.

Since December 1, 2014, she serves on the board of directors in a subsidiary in the US and also serves as the chairman of the Investment Committee.

NON-EXECUTIVE DIRECTOR

Mr. ZHOU Yimin (鄒益民), aged 59, Mr. Zhou was appointed as a non-executive director on November 17, 2015. He is a member of the Audit Committee and the Nomination Committee. He is the Chairman and the Chief Executive Officer of Ping An Real Estate Company Limited. Mr. Zhou joined Ping An Insurance (Group) Company of China, Ltd., in early 2010 after spending more than 12 years at Sun Hung Kai Properties Limited, one of the largest global real estate developers headquartered in Hong Kong. During his time at Sun Hung Kai Properties Limited, Mr. Zhou was the director and the General Manager of Sun Hung Kai Real Estate Development (China) Limited, overseeing its real estate business in the China market and the significant growth in its land bank and investment portfolio. Prior to his term at Sun Hung Kai Properties Limited, Mr. Zhou was the Vice Chairman of Chu Kong Shipping Enterprises (Group) Co., Ltd. (formerly known as 'Chu Kong Shipping Development Co., Ltd'), which was successfully listed on The Stock Exchange of Hong Kong Limited in 1997. Mr. Zhou graduated from Fudan University with a doctorate degree.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XU Xiaonian (許小年), aged 64, serves as our independent non-executive director since July 31, 2013. Mr. Xu obtained his doctor of philosophy degree in Economics from University of California Davis in 1991. Mr. Xu was the managing director and head of research department in China International Capital Corporation Limited, and senior economist of Merrill Lynch (Asia Pacific) and consultant of World Bank. Currently, Mr. Xu serves as the professor of Economics and Finance in China Europe International Business School and his research areas include macroeconomics, finance, financial institutions and markets, transition economics and China's economic reforms. Mr. Xu is a famous Chinese economist and was granted the highest award of economics study in China, the "Sun Yefang Economic Science Award". Mr. Xu has more than 31 years' experience in economics analysis.

Mr. DING Yuan (丁遠), aged 48, serves as our independent non-executive director since July 31, 2013. Mr. Ding has a doctor of philosophy degree in management science from College of Business Administration, Bordeaux IV University in France. Mr. Ding used to serve as a tenured professor of Accounting and Management Control in HEC School of Management in France. Currently, he is the Chair in Accounting of Cathay Capital in China Europe International Business School and the co-editor of The International Journal of Accounting. Mr. Ding is an independent director of TCL Corporation (TCL集團股份有限公司), an A-share listed company, and MagIndustries Corp., a TSX listed company in Canada. Mr. Ding has more than 11 years' experience in teaching and studying financial accounting, financial statement analysis, corporate governance and merger and acquisitions.

Mr. LEE Kwan Hung (李均雄), aged 52, serves as our independent non-executive director since July 31, 2013. He is a member of the Audit Committee and the Nomination Committee and the Chairman of the Remuneration Committee. Mr. Lee received his bachelor's degree of laws and postgraduate certificate in laws from the University of Hong Kong in 1988 and 1989 respectively. Mr. Lee was then admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1997, and is currently a practising lawyer. Mr. Lee is currently a consultant of Howse Williams Bowers. He was a

senior manager of the Listing Division of The Stock Exchange of Hong Kong Limited from 1993 to 1994. Mr. Lee is experienced in initial public offerings and corporate financing, including assisting the listing of Country Garden Holdings Company Limited in Hong Kong. Mr. Lee is currently an independent non-executive director of Embry Holdings Limited, NetDragon Websoft Inc., Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, Walker Group Holdings Limited, Newton Resources Limited, Tenfu (Cayman) Holdings Company Limited and China BlueChemical Ltd., the shares of these companies are currently listed on The Stock Exchange of Hong Kong Limited. Mr. Lee was an independent non-executive director of New Universe International Group Limited and Far East Holdings International Limited until his resignation on July 18, 2012 and November 12, 2014 respectively, the shares of both companies are listed on The Stock Exchange of Hong Kong Limited. He was also an independent non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust) until his resignation on October 7, 2014, the units of the said trust are listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. LU Baoxiang (蘆寶翔), aged 43, was appointed as the Vice President of the Company and the General Manager of the Company's property development company in Nanjing on November 17, 2015. Mr. Lu graduated from the philosophy department of Nanjing University specialising in management and decision. Mr. Lu has over 15 years of working experiences in marketing of real estate, human resource management, property management, operation, development and management of real estate.

Mr. WANG Lei (王磊), aged 40, was appointed as the Vice President and general manager of Shanghai district properties company of the Company on November 17, 2015. He graduated from the architectural engineering department of Tongji University. He had worked for Country Garden Holdings Company Limited, Jingrui Properties (Group) Limited, China Overseas Land & Investment Limited as regional president, general manager and project manager. He has extensive working experiences in the real estate industry, including the areas of construction management, corporate governance and project operational management.

Mr. DING Feng (丁鋒), aged 39, was appointed as the general manager of the project development center of the Company on November 17, 2015. He is a graduate of Civil Engineering Studies from Southeast University and is now studying the EMBA in Nanjing University. Mr. Ding has extensive working experience in land investment and M&A as well as property development, operation and management.

Mr. John HO, aged 36, was appointed as the Vice President and the Chief Executive Officer of the Company in the United States on March 18, 2016. He graduated from USC Marshall School of Business and obtained bachelor degree in Business Administration. He worked in various international renowned real estate investment management and advisory firms including Colliers International, Jones Lang LaSalle. He served as a director, a vice president and the head of PRC business division in Jones Lang LaSalle, and was responsible for the provision of a wide range of services, such as acquisition, consultation, leasing and comprehensive investment management of real estate, to the PRC enterprises focusing on the expansion into the international market.

Mr. ZHOU Qing (周青), aged 52, was appointed as the Vice President and the general manager of the Beijing company of the Company. He graduated from China Europe International Business School and obtained master degree in Business Administration. Mr. Zhou has served as the Secretary of the General Office of the Ministry of Construction, senior management of Pan-China Group, the chairman of Beijing Pan-China Gauging Project Consultant Co., Ltd., an independent director of China Zhonghua Geotechnical Engineering Co., Ltd.. Mr. Zhou currently serves in various non-government organizations such as a vice president of Beijing Zhongguancun Bairehui Angel Investments Alliance, a deputy director of China District Energy Association of China Association of Building Energy Efficiency, and is familiar with the real estate industry policies.

COMPANY SECRETARY

Ms. CHAN Yuenying, Stella (陳婉縈) was appointed as our company secretary and authorised representative with effect from November 1, 2006. Ms. Chan is an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has more than 20 years' experience in handling listed company secretarial matters.

BOARD COMMITTEE

Audit Committee

We established the Audit Committee with written terms of reference, as amended, in compliance with the Listing Rules. The Audit Committee comprises one non-executive director, namely Mr. Zhou Yimin and three independent non-executive directors, namely Mr. Ding Yuan (as chairman), Mr. Xu Xiaonian and Mr. Lee Kwan Hung.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and to review the risk management and internal control systems.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit and reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with reporting and accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

Remuneration Committee

We established the Remuneration Committee with written terms of reference in compliance with the Listing Rules. The Remuneration Committee currently comprises two executive directors, Mr. Tian Ming and Ms. Zhou Qin, and three independent non-executive directors, namely, Mr. Lee Kwan Hung (as chairman), Mr. Ding Yuan and Mr. Xu Xiaonian.

The Remuneration Committee makes recommendations to the Board on the Company's policy and structure on the remuneration packages for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedural process for developing remuneration policies, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, and to make recommendations to the Board on the remuneration of non-executive directors.

Nomination Committee

We established the Nomination Committee with written terms of reference in compliance with the Listing Rules. The Nomination committee currently consists of one executive director, Mr. Tian Ming (as chairman), one non-executive director, Mr. Zhou Yimin, and three independent non-executive directors, namely, Mr. Xu Xiaonian, Mr. Ding Yuan and Mr. Lee Kwan Hung.

The Nomination Committee reviews and monitors the structure, size and diversity of the Board and makes recommendations on any proposed changes to the Board to complement the Company's strategy; to identify qualified individuals to become members of the Board; to assess the independence of independent non-executive directors; and to make recommendations to the Board on the appointment or re-election of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer.

DIRECTORS'S REMUNERATION

The remuneration received by our directors (including fees, salaries, discretionary bonus, allowances and benefits in kind, contribution to retirement benefits scheme and restricted share award) for the years ended December 31, 2015, 2016 and 2017 was approximately RMB13.1 million, RMB18.3 million and RMB16.6 million (US\$2.5 million), respectively.

SUBSTANTIAL SHAREHOLDERS

As of March 21, 2018, so far as the directors are aware, the following persons or institutions beneficially owned more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Section 352 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”):

<u>Name of shareholder</u>	<u>Capacity</u>	<u>Approximate number of shares held</u>	<u>Approximate percentage of shareholding</u>
Tian Ming ⁽¹⁾	Interest of controlled corporation and/or beneficial owner	2,883,696,489	73.61%
Landsea Group Co., Ltd. ⁽¹⁾⁽²⁾	Beneficial owner	2,606,900,604	66.54%
Landsea International Holdings Limited ⁽¹⁾⁽²⁾	Interest of corporation controlled by the substantial shareholder	2,606,900,604	66.54%
Greensheid Corporation ⁽¹⁾⁽²⁾	Interest of corporation controlled by the substantial shareholder	2,143,125,473	54.71%
Ping An Insurance (Group) Company of China, Ltd.	Interest of corporation controlled by the substantial shareholder	511,399,767	13.05%
Ping An Property & Casualty Insurance Company of China, Ltd.	Interest of corporation controlled by the substantial shareholder	511,399,767	13.05%
Ping An Life Insurance Company of China Ltd. ⁽³⁾	Interest of corporation controlled by the substantial shareholder	511,399,767	13.05%
Ping An Real Estate Company Ltd. ⁽³⁾	Interest of corporation controlled by the substantial shareholder	511,399,767	13.05%
Ping An Real Estate Company Capital Ltd. ⁽³⁾	Interest of corporation controlled by the substantial shareholder	511,399,767	13.05%
Fuji Investment Management Limited	Interest of corporation controlled by the substantial shareholder	511,399,767	13.05%

Notes:

- (1) These include (i) 2,143,125,473 ordinary shares held through Greensheid Corporation, (ii) 215,018 ordinary shares held through Landsea International and (iii) 268,834,385 ordinary shares held through Easycorps group Limited, the last of which is a company wholly and beneficially owned by Mr. Tian Ming. Greensheid Corporation is wholly-owned by Landsea International, which is, in turn, wholly-owned by Landsea Group. Mr. Tian Ming is the controlling shareholder of Landsea Group.
- (2) These include (i) 2,143,125,473 ordinary shares held through Greensheid Corporation, (ii) 215,018 ordinary shares held through Landsea International and (iii) 463,560,113 derivative shares held through Landsea International which shall be issued by us upon exercise of the conversion rights attached to the convertible perpetual securities in an aggregate principal amount of HK\$432,687,009 issued by us on January 29, 2016, to Landsea International.
- (3) These include (i) 327,002,604 ordinary shares, and (ii) 184,397,163 derivative shares, as adjusted upon the payment of the final dividend for the year ended December 31, 2015, held by Fuji Investment Management Limited to be issued by the Company upon exercise of the conversion rights attached to the convertible perpetual securities in an aggregate principle amount of HK\$130,000,000 issued by the Company. Fuji Investment Management Limited is wholly-owned by Pingan Real Estate Capital Limited which in turn is wholly-owned by Ping An Real Estate Company Limited. Ping An Real Estate Company Limited is owned as to 49% by Ping An Life Insurance Company of China Ltd., which in turn is owned as to 99.5% by Ping An Insurance (Group) Company of China, Ltd. Therefore, each of Ping An Insurance (Group) Company of China, Ltd., Ping An Life Insurance Company of China Ltd., Ping An Real Estate Company Ltd. and Pingan Real Estate Capital Ltd. is deemed to be interested in the shares held by Fuji Investment Management Limited pursuant to the SFO. These 184,397,163 derivative shares have been further adjusted to 196,969,696 derivative shares upon payment of the final dividend for the year ended December 31, 2016 on July 3, 2017.

Save as disclosed above, we have not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as of December 31, 2017.

RELATED PARTY TRANSACTIONS

The table below sets forth certain material transactions between us and our related parties as of December 31, 2015, 2016 and 2017:

	As of December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Balances Due from Related Parties				
Non-current amounts due from associates ⁽¹⁾	—	—	285,364	43,860
Non-current amounts due from joint ventures ⁽²⁾	—	187,036	1,085,171	166,788
Current amounts due from associates ⁽¹⁾	—	650,919	768,465	118,111
Current amounts due from joint venture ⁽²⁾	—	167,352	791,361	121,630
Balances Due to Related Parties				
Non-current amounts due to				
the ultimate holding company ⁽³⁾	—	869,830	—	—
Non-current amounts due to associates ⁽⁴⁾	—	707,182	1,761,220	270,695
Non-current amount due to a joint venture ⁽⁵⁾	—	210,100	763,474	117,344
Non-current amount due to a fellow subsidiary of				
the ultimate holding company ⁽⁶⁾	—	—	189,912	29,189
Current amounts due to associates ⁽⁴⁾	317,947	220,000	298,200	45,833
Current amounts due to fellow subsidiaries of the				
ultimate holding company ⁽⁶⁾	825,976	105,360	8,092	1,244
Current amount due to a joint venture ⁽⁵⁾	94,057	—	25,398	3,904
Current amount due to the ultimate holding				
company ⁽⁷⁾	—	—	1,712,390	263,190
Loans from the ultimate holding company ⁽¹⁰⁾	1,819,523	1,662,177	1,665,000	255,906
Other Related Party Transactions				
Property development and management service fee				
from associates and joint ventures ⁽⁸⁾	110,319	187,845	421,983	64,858
Property development and management service fee				
income from fellow subsidiaries ⁽⁹⁾	497,835	74,045	612	94
Interest income received from associates ⁽¹⁾	—	75,841	52,454	8,062
Interest income received from joint ventures ⁽²⁾	8,063	19,223	52,948	8,138
Interest expense on loans from				
the ultimate holding company ⁽³⁾⁽¹⁰⁾	69,292	100,296	126,888	19,502
Interest expense on loans from a joint venture ⁽⁵⁾	—	15,817	29,789	4,578
Interest expense on loans from associates	—	13,058	11,388	1,750
Interest expense on loans from a fellow				
subsidiary ⁽⁶⁾	869	830	58,098	8,929
Design service fee to a fellow subsidiary ⁽¹¹⁾	12,146	—	—	—
Employee Benefit Expenses				
Short-term employee benefits	14,214	29,776	42,641	6,554
Restricted share award	2,474	5,825	—	—
Contributions to retirement benefits schemes	291	820	1,267	195

	<u>As of December 31,</u>	
	<u>2017</u>	
	(RMB'000)	(US\$'000) (Unaudited)
Funding with Related Parties		
Funding to associates (operating)	570,022	87,611
Funding to associates (investing)	285,364	43,860
Funding to joint ventures (operating)	656,567	100,913
Funding to joint ventures (investing)	38,955	5,987
Collection of funding from associates (operating)	2,801	431
Collection of funding from associates (investing)	468,849	72,061
Collection of funding from joint ventures (investing)	809,404	124,403
Funding from associates (operating)	737,492	113,350
Funding from associates (investing)	485,838	74,672
Funding from joint ventures (operating)	290,000	44,572
Funding from joint ventures (investing)	561,734	100,197
Funding from fellow subsidiaries of the ultimate holding company (financing)	189,912	29,189
Funding from the ultimate holding company (financing)	842,560	129,499
Repayment of funding from associates (financing)	253,000	38,885
Repayment of funding from joint ventures (financing)	94,870	14,581
Repayment of funding from fellow subsidiaries of the ultimate holding company (operating)	8,902	1,368
Repayment of funding from fellow subsidiaries of the ultimate holding company (financing)	105,360	16,194

Notes:

(1) As of December 31, 2017, non-current amounts due from associates generates interest at 8% per annum. Current amount due from associates includes RMB204,104,000 generating interest at 14% and the remaining is interest-free. As of December 31, 2016, the amounts due from associates are unsecured and repayable within one year, respectively. The balances bear interest ranging from 8% to 14% per annum.

(2) As of December 31, 2017, non-current amounts due from joint ventures generates interest ranging from 5% to 12%. Current amounts due from joint ventures includes RMB159.0 million (US\$24.4 million) generating interest ranging from 5% to 12% per annum and the remaining is interest-free.

As of December 31, 2016, the amounts due from our joint ventures were unsecured and repayable on demand. The balance of RMB100.0 million bears interest at 8% and the remaining balance is interest-free.

As of December 31, 2015, we received interest income from a joint venture in relation to the consideration prepaid by us for the acquisition of properties owned by our joint venture, Silver Knight Global limited.

(3) As of December 31, 2016, the amount due to the ultimate holding company was unsecured, interest-free and repayable after one year from December 31, 2016.

(4) As of December 31, 2017, non-currents amounts due to associates is interest-free. Current amounts due to associates includes RMB293.7 million (US\$45.1 million) bearing interest at 8.5% per annum and the remaining is interest-free. As of December 31, 2016, non-current amounts due to associates is interest-free. Current amounts due to associates bears interest ranging from 5.5% to 6.2% per annum.

(5) As of 31December 31, 2017, non-current amounts due to joint ventures includes RMB315.2 million (US\$48.4 million) bearing interest ranging from 6% to 7.5% per annum and the remaining is interest-free. Current amounts due to joint ventures is interest-free. As of December 31, 2016, the amount due to joint ventures includes RMB160.0 million bearing interest at 7.5% per annum, and the remaining balance is interest free.

(6) As of December 31, 2017, non-current amount due to fellow subsidiaries of the ultimate holding company bears interest at 5.5% per annum. Current amounts due to fellow subsidiaries of the ultimate holding company is interest-free.

As of December 31, 2016, the amount due to fellow subsidiaries was unsecured and repayable within one year. The balance bears interest at 5.5% per annum.

(7) As of December 31, 2017, current amounts due to the ultimate holding company is interest-free.

- (8) The Company provided property development and management services to its associates and joint ventures, and the prices of these services are based on the prevailing market prices of similar services.
- (9) The Company provided certain project and sales management to fellow subsidiaries in accordance with the Property Development and Management Services Agreement entered into between the Company and its controlling shareholder, Landsea Group Co., Ltd.. We have provided certain project management, sales management and financing advisory services to fellow subsidiaries since April 1, 2014. The prices of the services are based on prevailing market prices of similar services provided by us to independent third parties.
- (10) The ultimate holding company provided interest bearing loans to the Company and the interest expense on the loans is based on the prevailing market interest rate ranging from 5.3% to 6.6% per annum.
- (11) Pursuant to a design services agreement entered into between us and our ultimate holding company on February 23, 2014, a fellow subsidiary has provided design services to us since April 1, 2014. The prices of these services were based on the prevailing market prices of similar services provided to us by independent third parties.

The above transactions were entered into in the ordinary course of business of our Company.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Landsea Green Group Co., Ltd. (朗詩綠色集團有限公司), a company incorporated in Bermuda with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that Guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that provides a JV Subsidiary Guarantee (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor, as guarantors, and DB Trustees (Hong Kong) Limited, as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- Guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees”;
- effectively subordinated to other secured obligations (including the 2018 Notes) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Notes will mature on April 25, 2020. Except as described under “Optional Redemption,” “Redemption for Tax Reasons” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company). The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under the caption “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued. The Notes will bear interest at 9.625% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on April 25 and October 25 of each year (each an “Interest Payment Date”), commencing October 25, 2018.

Interest on the Notes will be paid to Noteholders (“Holders”) of record at the close of business on April 10 or October 10 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium (if any) or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Trustee, then payment of such principal, premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Furthermore, Holders will not be entitled to any interest or other payment if the Holder is late in surrendering its certificate of Note (as applicable, if required to do so) or if a payment timely mailed arrives after the due date for payment. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, and the Notes may be presented for registration of transfer or exchange at such office or agency. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date consist of all of the Company’s Restricted Subsidiaries other than (i) the PRC Restricted Subsidiaries, (ii) the U.S. Restricted Subsidiaries and (iii) Silver Knight Global Limited, Harvest Years Limited and Asia Pacific Business Link Limited. All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing or future PRC Restricted Subsidiaries, Exempted Subsidiaries or Listed Subsidiaries (if any) (as long as they continue to be Exempted Subsidiaries or Listed Subsidiaries) will at any time in the future provide a Subsidiary Guarantee or JV Subsidiary Guarantee. Although the Indenture contains limitations on the amount of additional Indebtedness that the Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, any such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of December 31, 2017,

- the Company and its consolidated subsidiaries had total consolidated indebtedness (including short term borrowings and long term borrowings) of approximately RMB5,429.4 million (US\$834.5 million);
- the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors had secured indebtedness of approximately RMB1,216.9 million (US\$187.0 million); and
- the Non-Guarantor Subsidiaries had total borrowings (excluding intra-group balances) of approximately RMB4,212.5 million (US\$647.4 million).

In addition, as of December 31, 2017, the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB2,473.6 million (US\$380.2 million).

The Subsidiary Guarantee of each Subsidiary Guarantor is:

- a general obligation of such Subsidiary Guarantor;
- effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor is:

- a general obligation of such JV Subsidiary Guarantor;
- enforceable only up to the JV Entitlement Amount;
- effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- limited to the JV Entitlement Amount and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- limited to the JV Entitlement Amount and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than any PRC Restricted Subsidiaries, any Exempted Subsidiaries or any Listed Subsidiaries), as soon as practicable and in any event within 30 days after it becomes a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. The Company will cause each of its Restricted Subsidiaries that is an Exempted Subsidiary or a Listed Subsidiary, as soon as practicable after ceasing to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date (other than a JV Subsidiary Guarantor) is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

Notwithstanding the foregoing, the Company may elect to have (x) any existing or future Restricted Subsidiary organized outside the PRC or (y) as soon as practicable after an Exempted Subsidiary or a Listed Subsidiary ceases to be an Exempted Subsidiary or a Listed Subsidiary, such Exempted Subsidiary or Listed Subsidiary, not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (the “New Non-Guarantor Subsidiaries”), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, (i) the Consolidated Assets of all U.S. Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiaries) do not account for more than 35.0% of Total Assets and (ii) the Consolidated Assets of all Other Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiaries) do not account for more than 10.0% of Total Assets.

If, at any time, the Consolidated Assets of (x) all U.S. Non-Guarantor Subsidiaries exceed 35.0% of Total Assets or (y) all Other Non-Guarantor Subsidiaries exceed 10.0% of Total Assets, the Company must promptly (i) remove the designation of one or more Non-Guarantor Subsidiaries and cause such Non-Guarantor Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Non-Guarantor Subsidiaries will Guarantee the payment of the Notes with a Subsidiary Guarantee or JV Subsidiary Guarantee, (ii) designate one or more Non-Guarantor Subsidiaries as Unrestricted Subsidiaries and/or (iii) cause one or more Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favorable to the Company in accordance with the terms of the Indenture and such that the Consolidated Assets of (1) all U.S. Non-Guarantor Subsidiaries no longer exceed 35.0% of Total Assets and (2) all Other Non-Guarantor Subsidiaries no longer exceed 10.0% of Total Assets. Such removal of designation as a Non-Guarantor Subsidiary, designation as an Unrestricted Subsidiary and/or payment of dividends or distributions, as the case may be, must be made as soon as practicable, and in any event no later than 30 days, after the date any consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) which show that the Consolidated Assets of (1) all U.S. Non-Guarantor Subsidiaries exceed 35.0% of Total Assets or (2) all Other Non-Guarantor Subsidiaries exceed 10.0% of Total Assets.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary, (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity, is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (1) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (2) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a Guarantee on terms that are more favorable to the recipients of such Guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than any Non-Guarantor Subsidiary designated pursuant to the Indenture) and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

- (ii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
- (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantor will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantor will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantee, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantee, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantee, as the case may be, will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees and JV Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be Guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

No assurance can be given that the preceding provision limiting the maximum amount of each Subsidiary Guarantee or JV Subsidiary Guarantee will be given effect. If a Subsidiary Guarantee or a JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or satisfaction and discharge as described under the caption “— Defeasance” and “— Satisfaction and Discharge”;
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee or JV Subsidiary Guarantor, upon it becoming an Exempted Subsidiary or a Listed Subsidiary; or
- in the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor, upon it becoming a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or, as soon as practicable after, the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes), *provided* that after the release of such Subsidiary Guarantees and after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of (i) all U.S. Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiaries) do not account for more than 35.0% of Total Assets and (ii) all Other Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiaries) do not account for more than 10.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a Guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers’ Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to conclusively rely on such certificate without investigating the accuracy, authenticity and validity of the certificate and without any liability or responsibility to any person.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued the Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement Guarantee on terms that are more favorable to the recipients of such Guarantee than the JV Subsidiary Guarantee;
- such sale is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than any Non-Guarantor Subsidiary designated pursuant to the Indenture) and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the Original Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants-Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture, and will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the Indenture.

Optional Redemption

At any time, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price equal to 109.625% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any recognized securities exchange and/or held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or the requirements of the clearing system, as applicable; or
- (2) if the Notes are not listed on any recognized securities exchange or held through a clearing system, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate in its sole and absolute discretion, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note; *provided, however*, that no such partial redemption shall be allowed if it would result in the issuance of a new Note, representing the unredeemed portion, in an amount of less than US\$1,000. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that

would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantor's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Such phrase will likely be interpreted under applicable law of the relevant jurisdictions. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Change of Control Triggering Event has occurred or to monitor the occurrence of any Change of Control Triggering Event, and shall not be liable to the Holders of the Notes or any other person for not doing so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees or JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or an applicable JV Subsidiary Guarantor is organized or resident for tax purposes or through which payment is made (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or the applicable JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note the

Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee or the enforcement of or exercise of rights thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required by statute or regulation of a Relevant Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
 - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any); or
 - (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA;
 - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee (as the case may be) in accordance with the Indenture.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company and any Subsidiary Guarantor or JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) Pari Passu Guarantee;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (2)(d); *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded in the proviso contained in the definition of Permitted Subsidiary Indebtedness);
 - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (2)(d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company or a Subsidiary Guarantor or a JV Subsidiary Guarantor is not the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as applicable;
 - (e) Indebtedness of the Company or any Restricted Subsidiary (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance”, and “refinances” and refinanced” shall have a correlative meaning) then

outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clauses (a), (c), (e), (h), (p), (q), (r), (s), (v) and (w) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (2)(e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remain outstanding, is *pari passu* with, or expressly made subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause (2)(e) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed solely to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (2)(h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (2)(h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (2)(p), (2)(q), (2)(r), (2)(s), (2)(u) and (2)(v) below (together with refinancings thereof, but excluding any Guarantee Incurred under clauses (2)(p), (2)(q), (2)(r) and (2)(s) below to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade Guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade Guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary (other than U.S. Non-Guarantor Subsidiaries) that was permitted to be Incurred by another provision of this covenant; or (ii) Guarantees by any Restricted Subsidiary of Indebtedness of the Company or another Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, in each case, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary maturing within one year used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (m) at any time outstanding does not exceed US\$35.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness Incurred constituting a Subordinated Shareholder Loan;
- (p) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (2)(p) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (2)(p) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (2)(h) above and clauses (2)(q), (2)(r), (2)(s), (2)(u) and (2)(v) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (2)(h) above or any Guarantee Incurred under clauses (2)(q), (2)(r) and (2)(s) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;
- (q) Indebtedness Incurred the Company or by Restricted Subsidiaries constituting Bank Deposit Secured Indebtedness; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness permitted under this clause (2)(q) (together with refinancings thereof, but

excluding any Guarantee Incurred under this clause (2)(q) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (2)(h) and (2)(p) above and clauses (2)(r), (2)(s), (2)(u) and (2)(v) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (2)(h) above or any Guarantee Incurred under clause (2)(p) above and clause (2)(r) and (2)(s) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

- (r) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock permitted by this clause (2)(r) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (2)(r) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (2)(h), (2)(p) and (2)(q) above and clause (2)(s), (2)(u) and (2)(v) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (2)(h) above or any Guarantee Incurred under clauses (2)(p) and (2)(q) above and clause (s) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;
- (s) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (B) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness or any Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock permitted by this clause (2)(s) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (2)(s) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (2)(h), (2)(p), (2)(q) and (2)(r) above and clauses (2)(u) and (2)(v) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (2)(h) above or any Guarantee Incurred under clauses (2)(p), (2)(q) and (2)(r) above to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;
- (t) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary becomes obligated to pay such deferred purchase price under such Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;
- (u) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (2)(u) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (2)(h), (2)(p), (2)(q), (2)(r) and (2)(s) above and clause (2)(v) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (2)(h) above or any Guarantee Incurred under clauses (2)(p), (2)(q), (2)(r) and (2)(s) above to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

- (v) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with refinancings thereof) does not exceed an amount equal to 15.0% of Total Assets; *provided further* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (2)(h), (2)(p), (2)(q), (2)(r), (2)(s) and (2)(u) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (2)(h) above or any Guarantee Incurred under clauses (2)(p), (2)(q), (2)(r) and (2)(s) above to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets.
 - (w) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof).
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of the Permitted Indebtedness or is entitled to be Incurred or issued pursuant to the proviso in the first sentence of clause (a) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock as one or more of such types.
 - (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies; *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the

Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;

- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date (including Restricted Payments permitted by clause (1) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), shall exceed the sum (without duplication) of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on July 1, 2017 and ending on the last day of the Company’s most recently ended fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date (1) as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of

Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person; plus

(v) US\$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between or among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;
- (6) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;

- (7) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under clause (2)(r) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (8) the declaration and payment of dividends on or repurchase of Capital Stock of the Company by the Company with respect to any financial year up to an aggregate amount not to exceed 20.0% of the Company’s profit for the year in such financial year;
- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (10) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (11) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided* that, any such cash payment shall not be for the purpose of evading the limitation of this “Limitation on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Company); or
- (12) the distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture;

provided that, in the case of clause (2), (3), (4) or (8) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (12) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (12) above), the Company will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, Pari Passu Guarantee or any Indebtedness of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor guaranteed by any Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not Incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
- (f) existing in customary provisions in joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially adversely affect the ability of (x) the Company to make required payments on the Notes or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee;
- (g) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clauses (1), (2)(h), (2)(n), (2)(p), (2)(q), (2)(r), (2)(s), (2)(u), (2)(v) and (2)(w) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (h) any encumbrance or restriction existing by reason of any Lien permitted under the “— Limitation on Liens” covenant to the extent limiting the right of the debtor to dispose of the assets securing such Indebtedness;
- (i) existing with respect to Hedging Obligation permitted to be Incurred under clause (2)(f) of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” covenant solely to the extent that such restriction or encumbrance is only encumbering customary initial deposits or margin deposits or is otherwise within the general parameters customary in the industry with respect to such Hedging Obligations; and
- (j) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not Incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancings, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;

- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "— Limitation on Asset Sales" covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or JV Subsidiary Guarantor directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full, or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (2)(d) or (2)(q) (in the case of (2)(q), with respect to the Guarantee provided by any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor through the pledge of cash deposits, bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly, or indirectly, any Bank Deposit Secured Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness of the transaction to the Company or the relevant Restricted Subsidiary, as the case may be, from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other reasonable and customary compensation for service to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the Listing Rules, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto;
- (7) any Affiliate Transaction relating to property development, property management, property sales, elderly care property management and operations, decoration services or green technology consulting services, in each case in the ordinary course of business and consistent

with industry practice and otherwise in compliance with the terms of the Indenture, which are fair to the Company and the Restricted Subsidiaries, or are on terms at least as favorable as might reasonably have been obtained at such time from a Person that is not an Affiliate of the Company, as determined by the Board of Directors acting in good faith; and

- (8) any purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, and any purchase of Capital Stock of a Restricted Subsidiary held by a Trust Company Investor, in each case, to the extent permitted under the “Limitation on Restricted Payments” covenant.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being a shareholder, officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on any Offshore Subsidiary Share (other than (i) Liens securing the 2018 Notes and (ii) Liens described in clauses (1) or (7) of the definition of Permitted Liens), unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) such Lien.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than Offshore Subsidiary Shares), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) such Lien, for so long as any other obligation or liability of the Company or any Restricted Subsidiary is secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under the caption “— Limitation on Indebtedness and Preferred Stock” and (b) Incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed Incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75.0% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor or JV Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire Replacement Assets;

pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased on a pro rata basis by the Company. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company’s Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum (or in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not a New Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor in accordance with the terms under the Indenture.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the Original Issue Date, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from at least two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (8) “— Certain Covenants — Limitation on Asset Sales”; and
- (9) clauses (3), (4) and (5)(x) of the first and second paragraph under “— Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the Original Issue Date except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on the Stock Exchange of Hong Kong Limited or any other recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 60 calendar days after the end of the second fiscal quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 60 calendar days after the end of each of the first and third fiscal quarter of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language) in respect of the relevant quarterly period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification and (b) as soon as possible and in any event within 10 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

- (3) default in the performance or breach of the provisions of the covenants described under the caption “— Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions “— Repurchase of Notes upon a Change of Control Triggering Event” or “— Limitation on Asset Sales”;
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach to the Company by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or the Trustee at the written direction of such Holders;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$5.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a payment of principal when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$5.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have unconditionally agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors; or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders (subject to being indemnified and/or secured to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of

acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all Holders waive all past Defaults and rescind and annul a declaration of acceleration and its consequences, if:

- (1) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, and *provided* that it is secured and/or indemnified to its satisfaction, shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with applicable law or the Indenture or that may involve the Trustee in personal liability, and may take any other action it deems proper that is not inconsistent with any such written direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be Incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and the Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred and is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to conclusively rely, without liability, on any Opinion of Counsel or Officers' Certificate regarding whether an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payment is made, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor) and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payment is made, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners (i) would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, which the Company determines (acting in good faith) would be materially burdensome or (ii) the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (2) to the extent that the defeasance trust is organized under the laws of the United States (or any state thereof) or at the request of the Trustee, the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (A) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph of “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under the caption “— Certain Covenants,” other than as described under the caption “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (B) (i) clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, (ii) clause (4) under “Events of Default” with respect to such other covenants or agreements in the Indenture and (iii) clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or
 - (2) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if

any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

- (b) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture by the Company; and
- (c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with. The Trustee shall be entitled to conclusively rely on such certificate without investigating the accuracy, authenticity and validity of those certifications and without any liability or responsibility to any person.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Guarantees and the JV Subsidiary Guarantees (if any) may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add collateral to secure the Notes, any Subsidiary Guarantee and any JV Subsidiary Guarantee and create or register Liens on such collateral or enter into any intercreditor agreement to share the collateral in accordance with the Indenture;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (9) make any other change that provides additional rights or benefits to Holders or that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes, the Guarantees and the JV Subsidiary Guarantees (if any) may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (11) change the redemption date or the redemption price of the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor for the payment of principal of, premium, if any, or interest, on the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors, any of the JV Subsidiary Guarantors, or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

DB Trustees (Hong Kong) Limited has been appointed as Trustee under the Indenture and Deutsche Bank AG, Hong Kong Branch has been appointed as the registrar (the “Registrar”), the paying agent (the “Paying Agent”) and the transfer agent (the “Transfer Agent”) with regard to the Notes. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should they become creditors of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates and can profit therefrom without being obliged to account for such profit; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign. The Trustee may have interest in or may be providing or may in the future provide financial or other services to other parties.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor, the Trustee, or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream or its nominee, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under the caption “— Additional Amounts.”

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary or its nominee, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, *however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any

other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Offering and transfer restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes.

In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or such other address as the Company may advise the Trustee in writing from time to time, of (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the Notes” for which no definition is provided.

“2018 Notes” means the 9.5% Senior Notes due 2018 issued by the Company pursuant to the 2018 Notes Trust Deed.

“2018 Notes Trust Deed” means the indenture dated April 30, 2015, as amended or supplemented from time to time, governing the 2018 Notes.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after April 25, 2020, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes at the maturity date of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition

by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) Sales, transfers or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales or other dispositions of cash and Temporary Cash Investments;
- (3) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (4) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (5) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (6) any transfer, assignment or other disposition deemed to occur in connection with creating granting any Permitted Lien;
- (7) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets”; and
- (8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies or remit money onshore or offshore.

“Board of Directors” means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or in London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the Company consolidates or amalgamates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least a majority of the members of the Board of Directors then still in office who were the members of the Board of Directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the members of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a comparable maturity to April 25, 2020 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to April 25, 2020.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is received by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the

Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent Incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), in each case of indebtedness so Guaranteed or secured, interest accruing shall be included only to extent that such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (3) or (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as (i) a dividend or other distribution or (ii) as distribution in the form of intercompany loans or otherwise that is treated as dividend in advance prior to any recognition of income on the consolidated financial statements of such Person (to the extent that the amounts actually received in dividends in a future period are less than such loans or advances, with a deduction for the difference in such future period); *provided* that, in the case of such distribution in the form of intercompany loans or otherwise, such amount shall not be again included in the Consolidated Net Income in the same period or another period when it is later recognized as income (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarterly, semi-annual or annual consolidated balance sheet (which may be internal consolidated balance sheet) of the Company prepared in accordance with GAAP (which the Company shall use its reasonable best efforts to compile in a timely manner) plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any

Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that such borrowings are not reflected as borrowings on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case to a person other than a Restricted Subsidiary or Permitted Holder; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or

registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of international standing appointed by the Company.

“Fitch” means Fitch Ratings, Ltd., and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such Four Quarter Period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such Four Quarter Period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“Franchise Company” means any Minority Joint Venture engaged in property development, of which the Company or a Restricted Subsidiary, through contractual agreements, directly or indirectly, controls and manages operations, including controlling the property planning, development, sales and management of such Minority Joint Venture; *provided, however*, that the occurrence of any event as a result of which such corporation, association or other business entity ceases to be a Franchise Company, the Company shall be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event, which shall be made in compliance with the covenant under the caption “— Limitation on Restricted Payments” other than pursuant to clause (19) of the definition of Permitted Investment.

“GAAP” means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly Guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest or dividends, the payment of interest in the form of additional Indebtedness with the same terms, and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock of same class shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or (2) Entrusted Loans; *provided* that such Indebtedness is not reflected on the consolidated balance sheet of the Company as borrowings (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant or (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person, to the extent such obligation is outstanding and to the extent Guaranteed by such Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportional interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, (2) if the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of and (3) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s, or any of its successors or assigns, or a rating of “AAA”, “AA”, “A”, “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership interest of the Company and its Restricted Subsidiaries expressed as a percentage in the JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees and JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Voting Stock of which is listed on a Qualifying Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided* that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualifying Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees,

underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees Incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiary” means any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company and one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. The Trustee shall be entitled to rely on such certificate without any liability or responsibility to any person. The Paying Agent shall promptly mail (at the expense of the Company) to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with all applicable securities laws and regulations thereunder, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of this Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations

under this Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; *provided, however*, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, at the time such certificate is required to be delivered.

“Offshore Subsidiary Share” means any share of Capital Stock of any Restricted Subsidiary (other than a PRC Restricted Subsidiary, a U.S. Restricted Subsidiary, Silver Knight Global Limited, Harvest Years Limited and Asia Pacific Business Link Limited) that is held by the Company or any Restricted Subsidiary.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Ordinary Course Operating Lease” means a lease entered into by a PRC Restricted Subsidiary in the ordinary course of its business with respect to a real property in China which has been developed and sold by another PRC Restricted Subsidiary to one or more investors, pursuant to which the PRC Restricted Subsidiary will (i) agree to pay the investors a pre-determined amount over a term of no more than 10 years and (ii) be entitled to manage such real property by providing management services and retaining any rental proceeds that may be collected from third party tenants of such real property.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Other Non-Guarantor Subsidiary” means any Non-Guarantor Subsidiary that is not a U.S. Non-Guarantor Subsidiary, a PRC Restricted Subsidiary, an Exempted Subsidiary or a Listed Subsidiary.

“Pari Passu Guarantee” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Permitted Business” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Mr. Tian Ming, or any estate or trust established by him or the legal representative of any of the foregoing;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales” other than Replacement Assets consisting of Capital Stock of any Person that is not and will not become a Restricted Subsidiary;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under the caption “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;

- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;
- (16) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets in the Company's balance sheet;
- (17) repurchases of the Notes;
- (18) an acquisition of assets, Capital Stock or other securities by the Company or a Restricted Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (19) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided that*:
 - (i) the aggregate of all Investments made under this clause (19) since the Original Issue Date shall not exceed in aggregate an amount equal to 10.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (19), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause (19) of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19), or
 - (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition),not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19);
 - (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;

- (iii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clauses (a) or (b) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be);
- (iv) no Default has occurred and is continuing or would occur as a result of such Investment; and
- (v) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or any of its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; *provided* that shall not apply if such Investment would otherwise have been permitted under this clause (19) and such Investment, together with the aggregate amount of all other Investments made in reliance on this proviso since the Original Issue Date, shall not exceed in aggregate an amount equal to 5% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Original Issue Date resulting from the events set forth in paragraphs (i)(A) through (i)(C) above, where references in such paragraphs to “under this clause (19)” or “under this clause (i)” shall be substituted with “in reliance on the proviso in this paragraph (v)”);

for the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made;

- (20) Any Investment in a Franchise Company (including, among others, any deemed Investment in a Person that was a Restricted Subsidiary but becomes a Franchise Company after the issuance or sale of Capital Stock of such Person); *provided that*:
 - (i) none of the other shareholders or partners in such Franchise Company in which such Investment was made pursuant to this clause (20) is a Person described in clauses (a) or (b) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Minority Joint Venture, a Restricted Subsidiary or an Unrestricted Subsidiary);
 - (ii) no Default has occurred and is continuing or would occur as a result of such Investment; and
 - (iii) at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”, except that solely for purpose of this clause (iii) references to “2.5 to 1.0” thereunder shall be replaced with “1.0 to 1.0”; and

- (21) Guarantees permitted by the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock.”

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made, in each case in the ordinary course of business, to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) (i) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof or (ii) Liens in favor of any bank having a right of setoff, revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in possession of such bank;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and Incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;

- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property acquired; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is Incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens Incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (18) Liens on Investment Properties, or Restricted Subsidiaries that own Investment Properties, securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(p) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (19) Liens securing Bank Deposit Secured Indebtedness permitted to be Incurred under clause 2(q) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, the Indebtedness or Preferred Stock permitted to be Incurred under clause (2)(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (23) Liens securing Indebtedness permitted to be Incurred under clause (2)(n) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (24) Liens securing Indebtedness Incurred under clause (2)(s) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”

- (25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(t) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (26) Liens securing Indebtedness Incurred under clause (2)(u) of the covenant described under “— Certain Covenants-Limitation on Indebtedness and Preferred Stock;”
- (27) Liens securing Indebtedness Incurred under clause (2)(v) of the covenant described under “— Certain Covenants-Limitation on Indebtedness and Preferred Stock;”
- (28) Liens securing Indebtedness Incurred under clause (2)(w) of the covenant described under “— Certain Covenants-Limitation on Indebtedness and Preferred Stock;”
- (29) Liens on assets of a Non-Guarantor Subsidiary (other than Offshore Subsidiary Share) securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under “— Certain Covenants-Limitation on Indebtedness and Preferred Stock;” and
- (30) Liens incurred or deposits made to secure Entrusted Loans.

“Permitted Subsidiary Indebtedness” means any Indebtedness of, and all Preferred Stock issued by any Non-Guarantor Subsidiaries, *provided* that, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock (excluding the amount of any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d) or (2)(g) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15.0% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such Guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Qualifying Exchange” means either (1) The New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, The Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Rating Agencies” means (1) S&P, (2) Moody’s and (3) Fitch; *provided* that if S&P, Moody’s or Fitch, two of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch, two of the three or all three of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba”, “B”, “Caa”, “Ca”, “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1”, “2” and “3” for Moody’s and “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB”, as well as from “BB-” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by three or less than three Rating Agencies and rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, mortgages, royalty, other revenue streams, assets or interests

therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, (1) properties or assets that replace the properties and assets that were the subject of such Asset Sale or (2) property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person. Notwithstanding the foregoing, “Sale and Leaseback Transaction” shall not include the sale or transfer of real property to another Person that is leased by the Company or any Restricted Subsidiary pursuant to an Ordinary Course Operating Lease.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Assets or participation in interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, or group of Restricted Subsidiaries, that would, when taken together, be a “Significant Restricted Subsidiary” within the meaning of the definition of “Significant Restricted Subsidiary” in Article 1, Rule 1–02(w) of

Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which (i) more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii), which is “controlled” and consolidated by such Person in accordance with GAAP.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which Guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any other state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, in each case maturing within one year;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area, Hong Kong, Singapore or Australia, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated

“A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s, “A-1” (or higher) according to S&P or “F1” (or higher) according to Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch; and
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institution organized under the laws of the United States of America, the PRC or Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Restricted Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services or the long-term apartment rental business.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution or an insurance company organized, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“U.S. Non-Guarantor Subsidiary” means any U.S. Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor.

“U.S. Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the United States.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of December 31, 2017, our total borrowing amounted to RMB5,429.4 million (US\$834.5 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions, these banks and financial institutions include, but not limited to, Bank of China, China Construction Bank, Agricultural Bank of China, China Minsheng Bank, China Zheshang Bank, Bank of Tianjin, Hua Xia Bank and Zijin Trust Co. Ltd. These loans include project loans to finance the construction of our projects, acquisition loans to finance our acquisition of projects and working capital loans. They have terms ranging from 1 year to 5 years. As of December 31, 2017, the aggregate outstanding amount under these loans totaled approximately RMB1,537.9 million (US\$236.4 million), of which RMB1,171.5 million (US\$180.1 million) was due within one year and RMB366.4 million (US\$56.3 million) was due between two to three years. Our PRC loans are typically secured by mortgage of state-owned land use right and construction in progress, pledges over shares of project companies, as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the PRC loans generally bear interest as floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Most of the interest payments are on each payment date as provided in the particular loan agreement. As of December 31, 2017, the weighted average interest rate on the aggregate outstanding amount of the PRC loans was 6.6% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- engage in contracting, leasing, shareholding reform, joint venture, mergers, dividends, capital reduction, equity changes, major asset transfers and other actions that may adversely affect their ability to repay their loans;
- make any major changes in project budget, planning and working process;
- make dividend distribution to its shareholders;
- make any changes in its board members, articles of association or make any change of control;
- create encumbrances on any part of their project assets;
- incur any material additional debts; and
- transfer part or all of their liabilities under the loans to a third party.

Events of Default

The project loans contain certain customary events of default, including, among other things, failure to pay the amount payable on the due date, insolvency, bankruptcy, false representation, breach of covenants and any other terms of the loan agreements. The lenders are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the PRC loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, as of December 31, 2017, RMB1,399.5 million (US\$215.1 million) of the project loans were secured by land use rights, properties and/or equity interests accounts receivable, cash and deposit certificate held by the subsidiary borrowers and/or our other PRC subsidiaries.

Dividend Restrictions

Pursuant to some loans with certain PRC financial institutions, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- before the principal amount of and accrued interest on the relevant project loan have been fully paid;
- if the borrower's after-tax profit is nil or negative.

THE 2015 PRIVATE NOTES

On April 24, 2015, we entered into an indenture (as amended and supplemented from time to time, the "2015 Trust Deed") pursuant to which we issued US\$100 million in aggregate principal to Haitong International Securities Company Limited. As of the date of this offering memorandum, the entire principal amount of the 2015 Private Notes is outstanding.

Guarantee

The obligations pursuant to the 2015 Private Notes are guaranteed by our existing subsidiaries (the "2015 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2015 Trust Deed.

Each of the 2015 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2015 Private Notes.

Interest

The 2015 Private Notes bear an interest rate of 9.50% per annum, payable semi annually in arrears on 30 April and 30 October of each year.

Security

We and one of our wholly-owned subsidiaries, New Phenomenon Technology Limited, granted share charges in favor of the security trustee for the 2015 Private Notes for the payment of the secured obligations owned by us, Landsea Group Co., Ltd. or any of the 2015 Subsidiary Guarantors, the performance of our and the 2015 Subsidiary Guarantors' obligations under the 2015 Trust Deed.

Covenants

Subject to certain conditions and exceptions, the 2015 Trust Deed contains certain covenants, restraining us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;

- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2015 Private Notes have certain customary events of default, including default in the payment of principal, or of any premium, on the 2015 Private Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2015 Trust Deed. If an event of default occurs and is continuing, the trustee under the 2015 Trust Deed or the holders of at least 25% of the outstanding 2015 Private Notes may declare the principal of the 2015 Private Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2015 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2015 Notes is April 30, 2018.

At any time, we may redeem the 2015 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

Additionally, if we or a subsidiary guarantor under the 2015 Trust Deed would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2015 Notes at a redemption price equal to 100% of the principal amount of the 2015 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

THE 2015 PERPETUAL CONVERTIBLE BOND

On November 4, 2015, we entered into a subscription agreement with Fuji Investment Management Limited ("Fuji Investment"), a wholly-owned subsidiary of Ping An Real Estate Capital Limited, pursuant to which we agreed to conditionally issue, and Fuji Investment agreed to subscribe for, 327,002,604 new ordinary shares at HK\$0.6529 per share, and the perpetual convertible securities in a principal amount of HK\$130,000,000 (the "Subscription"). The Subscription was completed on November 18, 2015, which raised a net proceeds of approximately HK\$340,000,000. The net proceeds have been fully utilized for the property development project in Hangzhou, the PRC. Upon the completion of the Subscription, Ping An Real Estate Capital Limited became our second largest shareholder.

OFFSHORE FACILITY AGREEMENTS

2016 EB-5 Loan

On February 17, 2016, LS-LA Simi Mezz LLC, our wholly-owned U.S. subsidiary that is not a 2015 Subsidiary Guarantor, as borrower, entered into a US\$20.0 million loan agreement with LS-LA Simi EB-5 LLC, as lender. Our wholly-owned U.S. subsidiary, Landsea Holdings Corporation, provided a guarantee for the loan.

As of the date of this offering memorandum, US\$12.1 million of the loan was outstanding.

2016 ICBC Loan

In December 2016, LS-Walnut Creek, LLC (“LS-Walnut Creek”), one of our wholly-owned subsidiary that is not a 2015 Subsidiary Guarantor, as borrower, entered into a US\$18,400,000 construction loan agreement with the Industrial and Commercial Bank of China (USA) NA, as lender. LS-Walnut Creek’s obligations under the US\$18,400,000 loan are secured by a deed of trust in certain properties.

As of the date of this offering memorandum, US\$7.6 million of the loan was outstanding.

2017 East Asia Loan

In February 2017, Landsea Holdings Corporation, our wholly-owned subsidiary that is not a 2015 Subsidiary Guarantor, as borrower, entered into a US\$19,290,000 term loan credit facility agreement with The Bank of East Asia, Limited, New York Branch, as lender.

As of the date of this offering memorandum, US\$19.3 million of the loan was outstanding.

2017 EB-5 Loan

On March 31, 2017, LS-OC Portola Mezz Owner LLC, our wholly-owned U.S. subsidiary that is not a 2015 Subsidiary Guarantor, as borrower, entered into a US\$ 60 million loan agreement with LS-OC Portola EB-5 LLC, as lender. Our wholly-owned U.S. subsidiary, Landsea Holdings Corporation provided a guarantee for the loan.

As of the date of this offering memorandum, US\$53.7 million of the loan was outstanding.

2017 Huarong Loan

In May 2017, we entered into a loan agreement with Huarong Rongde (Hong Kong) Investment Management Company Limited (“Huarong”) in relation to an one-year term loan of US\$50,000,000. Our obligation under the loan facility are secured by share pledges by us and one of our wholly-owned subsidiaries.

As of the date of the offering memorandum, US\$50.0 million of the loan was outstanding.

2017 East West Bank Loan

In November 2017, LS-LA Simi, LLC, our wholly-owned subsidiary that is not a 2015 Subsidiary Guarantor, entered into a US\$49,350,000 loan agreement with East West bank, as lender. Landsea Holdings Corporation, our wholly-owned subsidiary that is a 2015 Subsidiary Guarantor, and us provided guarantees for the loan.

As of the date of this offering memorandum, US\$7.5 million was the loan was outstanding.

Shareholder Loans

Our wholly-owned U.S. subsidiary, Landsea Holdings Corporation, has entered into three shareholder loan agreements with our controlling shareholder, Landsea Group Co., Ltd. in 2015 and 2016 (the “Shareholder Loans”), pursuant to which Landsea Group Co., Ltd. has made loans of RMB900.0 million, RMB600.0 million and RMB500.0 million to Landsea Holdings Corporation, respectively. Under these agreements, the interest rate during the term of the Shareholder Loans is at a floating rate of 12 Month Shanghai Interbank Offered Rate for Chinese Renminbi (“SHIBOR”) rate plus 2.25% per annum.

As of the date of this offering memorandum, RMB1,665.0 million (US\$245.6 million) of these Shareholder Loans remain outstanding.

GUARANTEES FOR JOINT VENTURE

We provided a guarantee to a joint venture, Fenway Ventures Point Properties LLC, for its bank borrowings. Such guarantee is limited to our proportionate interest in the joint venture. For more details, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness and Contingent Liabilities — Contingent liabilities.”

REGULATIONS

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. These include laws relating to land, real estate development, foreign investment enterprises, taxation and foreign exchange control. For a description of the legal risks relating to government regulation of our business, and in particular the land system in China, see “Risk Factors”.

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE AND FOREIGN INVESTMENT IN REAL ESTATE DEVELOPMENT INDUSTRY

According to the *PRC Law on Administration of Urban Real Estate* (中華人民共和國城市房地產管理法), or the *Urban Real Estate Law*, promulgated by the Standing Committee of NPC on July 5, 1994, effective on January 1, 1995 and amended on August 30, 2007 and August 27, 2009, a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the *Regulations on Administration of Development of Urban Real Estate* (城市房地產開發經營管理條例), or the *Development Regulations*, promulgated and implemented by the Stated Council on July 20, 1998 and amended on January 8, 2011, an enterprise engaging in development of real estate must satisfy the following requirements:

- Its registered capital must be RMB1.0 million or more; and
- It must have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom should hold relevant qualification certificates.

The *Development Regulations* also stipulate that the local government of a province, autonomous region or provincial-level municipality may, based on local circumstances, impose more stringent requirements on the registered capital and the number of professional personnel of a real estate developer.

Pursuant to the *Development Regulations*, to establish a real estate development enterprise, the developer shall apply for registration with local Administration for Industry and Commerce at or above county level and report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business licence. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals in accordance with the laws and regulations governing the foreign investments in China.

Subject to the approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and operation of real estate in China may establish a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and regulations governing foreign-invested enterprises.

Pursuant to the *Notice of the State Council on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets* (國務院關於調整固定資產投資項目資本金比例的通知) issued by the State Council on May 25, 2009, the minimum capital ratio of ordinary commodity housing projects and social security housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%. Furthermore, pursuant to the *Notice on Adjusting and Perfecting the System of Capital Fund for Investment Projects in Fixed Assets* (關於調整和完善固定資產投資項目資本金制度的通知) issued by the State Council on September 9, 2015, the minimum capital ratio of ordinary commodity housing projects and social security housing projects remains unchanged at 20%, while it has been adjusted from 30% to 25% for other real estate projects.

On July 11, 2006, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the *Opinions on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market* (關於規範房地產市場外資准入和管理的意見), or the *171 Opinions*. According to the *171 Opinions*, subject to further adjustments made on August 19, 2015 in *Opinion on Adjusting Policies on the Admittance and Administration of Foreign Capital in the Real Estate Market* (關於調整房地產市場外資准入和管理有關政策的通知) as explained below, the admittance and administration of foreign capital in the real estate market must comply with the following requirements:

- Foreign institutions or individuals who purchase properties not for their own use in China should follow the principle of “commercial presence” and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in properties. After obtaining the approvals from the relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope.
- For the establishment of a foreign-invested real estate enterprise (“FIREE”), the MOFCOM authorities and the SAIC authorities will be responsible for the approval and registration of the FIREE and the issuance of a temporary Approval Certificate for a Foreign-invested Enterprise (which is effective for one year) and a temporary business licence. Upon full payment of the land premium for the land-use rights, the FIREE should apply for the land use rights certificate. With such land use rights certificate, the real estate developer can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the MOFCOM authorities and a formal business licence with the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise from the State Administration for Industry & Commerce (“SAIC”) authorities.
- Transfers of projects or equity interests in FIREEs or acquisitions of domestic real estate development enterprises by foreign investors must strictly follow the relevant PRC laws, regulations and policies and obtain the relevant approvals. The investor will need to submit: (i) a written undertaking to fulfil the “State-owned land use rights Grant Contract” (國有土地使用權出讓合同), “Construction Land Planning Permit” (建設用地規劃許可證) and “Construction Work Planning Permit” (建設工程規劃許可證); (ii) Land Use Rights Certificate; (iii) documents evidencing the filing for modification with MOHURD authorities; and (iv) documents evidencing the payment of tax from the relevant tax authorities.
- When acquiring domestic real estate development enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, the foreign investors must make proper arrangements for the employees, properly deal with the bank loans and pay the consideration in one single payment with their capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully paid any previous acquisition consideration will not be allowed to undertake the aforementioned activities.

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the *Opinion on Adjusting Policies on the Admittance and Administration of Foreign Capital in the Real Estate Market* which provided, among others, that (i) the ratio of registered capital to total investment of foreign invested real estate enterprises shall be subject to the *Tentative Regulations on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures* (關於中外合資經營企業註冊資本與投資總額比例的暫行規定); (ii) the requirement that a foreign invested real estate company must fully pay its registered capital before handling the procedures for domestic loans, foreign loans, and settlement of foreign exchange loans shall be canceled; (iii) the branches and representative offices of foreign institutions established in China (except the enterprises that are approved to operate real estate businesses) and the foreign individuals who work or study in China may purchase commodity houses for the purposes of self-use or living.

The *Opinion on Adjusting Policies on the Admittance and Administration of Foreign Capital in the Real Estate Market* further provided that the relevant provisions from the *Tentative Regulations on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures* (關於中外合資經營企業註冊資本與投資總額比例的暫行規定) issued by the SAIC on February 17, 1987 applies with respect to the proportion of registered capital to the total amount of investment of a Sino-foreign equity joint venture from August 19, 2015:

- If the total amount of investment of a Sino-foreign equity joint venture is less than US\$3.0 million (including US\$3.0 million), its registered capital shall be at least 7/10 of the total investment;
- If the total amount of investment of a Sino-foreign equity joint venture is from US\$3.0 million to US\$10.0 million (including US\$10 million), the registered capital shall be at least one-half of the total amount of investment; within this, if the total amount of investment is less than US\$4.2 million, the registered capital shall not be less than US\$2.1 million;
- If the total amount of investment of a Sino-foreign equity joint venture is from US\$10.0 million to US\$30.0 million (including US\$30.0 million), the registered capital shall be at least 2/5 of the total amount of investment; within this, if the total amount of investment is less than US\$12.5 million, the registered capital shall not be less than US\$5 million; and
- If the total amount of investment of a Sino-foreign equity joint venture is more than US\$30.0 million, the registered capital shall be at least 1/3 of the total amount of investment; within this, if the total amount of investment is less than US\$36.0 million, the registered capital shall be not less than US\$12.0 million.

On August 14, 2006, the General Office of MOFCOM issued a *Notice on Relevant Issues Concerning the Carrying out the Opinion on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market* (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》有關問題的通知), or the *Notice on the Real Estate Market*. According to the *Notice on the Real Estate Market*, when a foreign investor acquires a domestic real estate development enterprise through transfer of equity interest or other means, proper arrangements must be made for the original employees of the acquired companies, bank debts must be settled and the entire consideration for the transfer must be paid off within three months after the earlier of the issuance of the business licence or the effective day of the equity transfer agreement.

On May 23, 2007, MOFCOM and SAFE jointly issued the *Circular on Further Strengthening and Regulating the Approval and Supervision on Foreign Direct Investment in Real Estate Sector* (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) as revised by the MOFCOM on October 28, 2015, or *Circular 50*, which sets forth the following requirements for approving and supervising of foreign investment in real estate sector:

- Foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;
- Before applying for the establishment of FIREEs, (i) the land use rights certificates or property ownership certificates should have been obtained or (ii) contracts for obtaining land use rights or property ownership rights should be entered into;
- Existing foreign invested enterprises need to obtain approval before expanding their business operations into the real estate sector and existing FIREEs need to obtain new approval in case they wish to expand their existing real estate business operations;
- Acquisitions of domestic real estate entities and foreign investment in real estate sector in a way of a round-trip investment channel should be strictly regulated. Foreign investors may not avoid approval procedures through changes in actual controlling persons;
- Equity holders of FIREEs should not in any matters, conclude any provisions in order to guarantee a fixed investment return to any party;

- Filing with MOFCOM must be promptly executed according to applicable law once the establishment of FIREEs is approved by local government authorities;
- SAFE authorities and banks authorised to conduct foreign exchange business should not effectuate foreign exchange settlements or sales regarding capital account items to those entities failing to file with the MOFCOM; and
- For those FIREEs, which are wrongfully approved by local authorities for their establishment, (i) the MOFCOM will carry out investigation order punishment and corrections, and (ii) SAFE authorities should not carry out foreign exchange registrations for these entities.

On July 10, 2007, SAFE issued the *Notice on the Distribution of the List of the First Group of Foreign Invested Real Estate Projects Filed with MOFCOM* (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知), or *Notice 130*, together with a list of FIREEs that had effected their filings with MOFCOM. According to *Notice 130*, SAFE will no longer process foreign debt registrations or applications by FIREEs for permission to purchase foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government and finish the filing with MOFCOM before June 1, 2007. SAFE further provided in its *Notice 130* that it will not process any foreign exchange registration (or change of such registration) or exchange settlement under capital account of FIREE that obtained their foreign-invested enterprise approval certificates from local commerce departments on or after June 1, 2007 but has not completed its filing with MOFCOM. Although *Notice 130* was abolished in May 2013, the principles it set are still followed. According to the Guidelines of Operation and Administration of Foreign Debt Registration (《外債登記管理操作指引》) became effective on May 13, 2013:

- (i) SAFE no longer processes foreign debt registrations by FIREEs if such FIREEs obtained their approval certificates from the relevant PRC governmental authorities and had effected their filings with MOFCOM after June 1, 2007 (including June 1, 2007).
- (ii) FIREEs established before June 1, 2007 shall still have the right to incur foreign debts within the statutory limit, which equals the outstanding balance between total investment and registered capital prior to the increase, or the outstanding balance between total investment and registered capital of such enterprises upon and after the increase, whichever is less.
- (iii) FIREEs cannot borrow foreign debt and process foreign debt registrations if its registered capital has not been fully paid, or the land use rights certificates has not been obtained or its capital ratio has not reached 35%.

In connection with the filing requirement, on June 18, 2008, the MOFCOM issued the *Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector* (關於做好外商投資房地產業備案工作的通知). According to the notice, since July 1, 2008, the MOFCOM entrusts its provincial level branch to review the filing materials with respect to FIREEs and check and confirm the legality, authenticity and accuracy of the materials. The MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches. The notice also requires that the establishment (including the increase of registered capital) of a FIREE must comply with the principle of one project company engaging in one approved real estate project only.

On June 24, 2014, the MOFCOM and the SAFE jointly promulgated the *Circular on Improving the Record-filing of Foreign Investments in Real Estate* (關於改進外商投資房地產備案工作的通知), which required the commerce departments at the provincial level to review the project filings of FIREEs and to submit relevant materials to the MOFCOM for approval. The MOFCOM conducts spot check of the submitted FIREE filings. The project filings that have been approved or have not selected for spot check by the MOFCOM are published on the website of the MOFCOM (the “FRIIE filing announcement procedures”). In addition, this Circular simplified the record-filing process by transitioning from paper to electronic forms.

On March 30, 2015, SAFE issued the *Notice on Reforming the Management Mode on the Conversion of Foreign Exchange Capital Contribution of Foreign-Invested Enterprises* (國家外匯管理局關於改革外商投資企業外匯資本結匯管理方式的通知), or *Notice 19*, pursuant to which, Renminbi converted from foreign exchange capital contribution can be used for domestic equity investment by the Foreign-Invested Enterprises.

Moreover, in November 2010, MOFCOM promulgated the *Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry* (關於加強外商投資房地產業審批備案管理的通知), which provides that, among other things, in the case that a real estate enterprise is established within the PRC with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve foreign-invested investment companies to engage in the real estate development and management.

On November 6, 2015, the MOFCOM and the SAFE jointly promulgated the *Circular on Further Improving the Record-filing of Foreign Investments in Real Estate* (關於進一步改進外商投資房地產備案工作的通知), which further simplified the record-filing procedures for FRIIEs and removed the FRIIE filing announcement procedures from the MOFCOM's website.

According to the *Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment* (關於進一步做好利用外資工作的若干意見), promulgated by the State Council on April 6, 2010, except where approval by the relevant departments under the State Council is required by the *Catalogue of the Projects which Shall be Approved by the Government* (政府核准的投資項目目錄), foreign investment in encouraged and permitted industries with a total investment (including increase of investment) less than US\$300 million must be examined and approved by NDRC branches at the provincial level.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the *Provisions on Administration of Qualification of Real Estate Developers* (房地產開發企業資質管理規定), as amended in May 2015, or the *Provisions on Administration of Qualifications*, promulgated by MOHURD and implemented on March 29, 2000, a real estate developer must apply for registration of its qualification according to the *Provisions on Administration of Qualifications*. An enterprise may not engage in the development and sale of properties without a qualification classification certificate for real estate development. MOHURD oversees the qualifications of real estate developers with national operations, and local MOHURD authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the *Provisions on Administration of Qualifications*, the qualification of a real estate development enterprise is classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities.

- Class 1 qualifications are subject to preliminary examination by MOHURD authorities at the provincial level and the final approval of MOHURD. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development throughout the country.
- Class 2 or lower qualifications are regulated by MOHURD authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a total GFA of less than 250,000 sq.m. subject to confirmation by MOHURD authorities at the provincial level.

Under the relevant PRC laws and regulations, MOHURD authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employment, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer holding any specific qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established and qualified real estate developer, the MOHURD authorities will issue a provisional qualification certificate within 30 days upon the receipt of the application by the authority. The provisional qualification certificate will be effective for one year since its issuance, and MOHURD authorities may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The real estate developer should apply for qualification of classification to the relevant MOHURD authorities within one month before expiration of its provisional qualification certificate.

Pursuant to the *Provisions on Administration of Qualifications*, the qualification of a real estate developer should be subject to annual inspection. The construction authority under the State Council or its authorised institution is responsible for conducting the annual inspection of the qualification of class 1 real estate developers. Measures for annual inspection of developers of class 2 or lower qualification shall be formulated by the construction authorities under the people's government of the relevant province, autonomous region or provincial-level municipality.

LAND FOR PROPERTY DEVELOPMENT

Under the *Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land* (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), or the *Interim Regulations on Grant and Assignment*, promulgated by the State Council in May 1990, China adopted a system to grant and assign the rights to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land parcel within a specified period of time, and land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the terms of use. Under the *Urban Real Estate Law* and the *Interim Regulations on Grant and Assignment*, the land administration authority at the city or county level may enter into a land grant contract with the land user to grant the land use rights. The land user must pay the land premium as specified in the land grant contract. After the full payment of the land premium, the land user may register the land use rights for a site intended for real estate development. Land use rights may be obtained through grant or allocation and in the latter case the user is not required to pay compensation pursuant to the PRC laws and regulations. Government-allocated land is not allowed to be transferred without the approval by the relevant PRC government authorities and the full payment of land premium as determined by the relevant PRC government authorities.

Under the *Urban Real Estate Law*, those who have been granted the land use rights must develop the land in accordance with the use and construction period as prescribed by the land use right grant contract. However, the concern of the Ministry of Land and Resources ("MLR") on handling of idle land began in 1999. On April 28, 1999, the MLR promulgated the *Measures on the Disposal of Idle Land* (閒置土地處置辦法) which provides the definition of idle land and sets out the corresponding punishment measures, including payment of idle land fee at no more than 20% of the land grant fee and resumption of idle land without compensation by the county-level and municipal administrative authorities.

To strengthen the handling of idle land, the MLR promulgated the *Notice on Strengthening the Handling of Idle Land* (關於加大閒置土地處置力度的通知) on September 8, 2007, which stipulates that owners of idle land will be charged a fee equal to 20% of the land grant/allocation fee for their land. The notice further emphasises that the land that has been unused for more than 2 years should be forfeited. The notice also prescribes that the Land Use Right Certificate shall not be issued before the land grant premium for acquisition of land has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

On January 3, 2008, the State Council issued a *Notice on Promoting the Economic Use of Land* (關於促進節約集約用地的通知) to enforce the policies concerning dealing with idle land. If a parcel of land has been idle for two years or more, it must be resolutely taken back without any compensation. If the land does not meet the statutory conditions for resumption, it must be dealt with in a timely manner and fully used after changing its original use, replacement by parity value, and arrangement of a temporary use of incorporation into governmental land reserves. If a parcel of land has been idle for more than one year but less than two years, an idle land fee must be charged, which shall be 20% of the land grant fee. The notice also establishes an additional land premium surcharges on idle land and authorises MLR to formulate regulations to implement such surcharges. The notice further urges financial institutions to exercise caution when they process loan applications from property developers

that have failed to commence construction, to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract.

On July 1, 2012, the amendment of the *Measures on the Disposal of Idle Land* (閒置土地處置辦法), or the *New Idle Land Measures*, became effective. According to the *New Idle Land Measures*, a parcel of land shall be defined as idle land if a state-owned construction land user fails to commence development and construction of construction land within one year after the starting date of the development and construction prescribed by the contract for paid use of state-owned construction land or the land allocation decision; while a parcel of land can be defined as idle land if the development and construction of the land has commenced, but the area developed and constructed is less than one third of the total area to be developed or the invested amount is less than 25% of the total amount of investment, and development and construction has been continuously suspended for one year.

County-level and municipal administrative authorities may, with regard to discovery of a suspected idle land, conduct an investigation and verification on the relevant land within thirty days and give an Idle Land Investigation Notice to the land user. After the above investigation and verification procedure, if the very land has been confirmed to be idle, county-level and municipal administrative authorities should issue a Confirmation Letter of Idle Land to the land user and make public the relevant information on their official website.

With the exception that the delay in commencement of construction is caused by force majeure or acts of government under certain circumstances, an idle land should be disposed of according to the following circumstances:

- If the construction work has not yet started after one year from the construction commencement date as stated above, county-level and municipal administrative authorities will, after obtained approval from the people's governments at the corresponding levels, issue a Decision on the Collection and Payment of Idle Land Fee to the land user, and a fine for idle land at 20% of the price of land granting or land allocation shall be imposed on the land user; or
- If the construction work has not begun after two years from the construction commencement date as stated above, a Decision on the Withdrawal of the Land-Use Right will be issued to the land user and the right to use the land shall be taken back by the state without any compensation.

However, before making the decision of the above sanctions, the county-level and municipal administrative authorities should give a written notice to the land user informing its right to apply for a hearing. If the land user applies for a hearing, the county-level and municipal administrative authorities should organise it in accordance with the *Regulations on the Hearings of Land Resources* (國土資源聽證規定) promulgated by MLR on January 9, 2004 and became effective from May 1, 2004.

Moreover, county-level and municipal administrative authorities will not accept the new land use application by the very land user who has been identified as violating laws and regulations and disobeying the contract of paid use of construction land or land allocation decision and hoarding land or elevating land price with malice, or conduct the registration of transferring, lease, mortgage and amendment of the idle land before completing the treatments under the *New Idle Land Measures*.

With regard to the delay in commencement of construction is caused by force majeure or acts of government under certain circumstances, county-level and municipal administrative authorities may, after negotiating with the land user, choose a way of disposing the idle land, including, but not limited to, extending the time period for development and construction by concluding a supplementary contract (but the extended period shall be no longer than one year after the starting date provided by the supplementary contract), changing the use of the land, arranging for temporary use and taking back the related land for value, and arranging for a land exchange.

Under current PRC laws and regulations on land administration, land for real estate development may be obtained by grant or by allocation. Under the *Regulations on the Grant of State-Owned Land Use Right through Public Tender, Auction and Listing-for-Sale* (招標拍賣掛牌出讓國有建設用地使用權

規定) promulgated by the MLR on May 9, 2002 and as amended on September 28, 2007, land for industry (except land for mining), commercial use, tourism, entertainment and residential commodity properties must be granted by way of public tender, public auction or listing-for-sale. The procedures are as follows:

- The land authority of the municipal and county government, as the grantor, must make an announcement at least 20 days prior to the date of the proposed public tender, public auction or listing-for-sale. The announcement must include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid.
- After determining the winning tender or the winning bidder by the public tender, public auction or listing-for-sale, the grantor and the winning tender or winning bidder must then enter into a confirmation. The grantor should return the bidding or tender deposit to other bidding or auction applicants.
- The grantor and the winning tender or winning bidder must enter into a land grant contract according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium of the state-owned land use rights.
- The winning tender or winning bidder should apply for the land use rights registration after paying off the land premium in full under the land grant contract. The local governments at or above the county level will issue the land use rights certificates.

Under the *Regulation on Grant of State-Owned Land Use Rights by Agreement* (協議出讓國有土地使用權規定) promulgated by the MLR on June 11, 2003, except for the project that must be granted through public tender, auction and listing-for-sale as required by the relevant laws and regulations, land-use rights may be granted via transfer agreements, and the land premium for the transfer agreements of the state-owned land use rights must not be lower than the bottom price fixed by the state's regulations; and in terms with the areas where there is a benchmark land price, the lowest land premium for the transfer agreements shall not be lower than 70% of the benchmark land price for the level in which the target land falls within.

The *Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land* (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and protection of the basic farmlands.

The *Notice on Issues Relating to Strengthening the Land Control* (關於加強土地調控有關問題的通知) promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

In March 2007, NPC adopted the *PRC Property Rights Law* (中華人民共和國物權法), or the *Property Rights Law*, which became effective on October 1, 2007. According to the *Property Rights Law*, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, use such land use rights as equity contributions, gift or collateral for financing. If the state reclaims the properties owned by entities or individuals, it must compensate the property owner in accordance with laws and regulations and protect the lawful rights and interests of the owners.

On September 30, 2007, MLR issued the *Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties in Housing of Urban Low-Income Family and Further Strengthening the Macro-control of Land Supply* (關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知) as amended on December 3, 2010, to further enhance the control

of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economically affordable housing and low or medium priced and small or medium sized housing must be no less than 70% of the total land supply of the current year.

In order to control the land market and promote reasonable land utility, MLR, MOF and PBOC jointly promulgated the *Administrative Measures on Land Reserve* (土地儲備管理辦法) on November 19, 2007, in accordance with which “land reserve” refers to land acquisition, early-period land development and land reserve for future supply by land resources authorities at municipal or county level, for the purpose of adjusting land market and improving reasonable use of land resources. The enterprises must be selected through public tender to conduct the preliminary land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

On November 18, 2009, MOF, MLR, PBOC, the Ministry of Supervision and the National Audit Office jointly issued the *Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting* (關於進一步加強土地出讓收支管理的通知) to require a minimum down payment of 50% of the land premium. The notice also provides that the instalment period stipulated in the relevant land grant contracts may not exceed one year generally, provided that, for special projects, upon collective approval by the relevant government authorities, the instalment period stipulated in the relevant land grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay such land premium in time in full. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

MLR promulgated the *Notice on Problems Regarding Strengthening Control and Monitor of Real Estate Land Supply* (關於加強房地產用地供應和監管有關問題的通知) on March 8, 2010. According to this notice, the land provision for social security housing projects, redevelopment of shanty towns and self-occupied small or medium sized housing should be no less than 70% of total land supply, and the land supply for large sized housing will be strictly controlled and land supply for villa projects will be banned. This Notice also requires that the lowest land premium should not be less than 70% of the benchmark land price in which the granted land is located and the real estate developers’ bid deposit should not be less than 20% of the lowest grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant contract. The remaining payment must be paid in accordance with the land grant contract, but not later than one year. If the land grant contract is not executed in accordance with the requirement above, the land may not be delivered and the deposit may not be returned. If no land premium is paid after the execution of the land grant contract, the land must be withdrawn.

On September 21, 2010, MLR and MOHURD jointly promulgated the *Notice of Further Strengthening Control and Regulation of Land and Construction of Property Development* (關於進一步加強房地產用地和建設管理調控的通知), which stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for economically affordable housing, housing for redevelopment of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small or medium sized, price-capped housing must be increased; (ii) developers and their controlling shareholders (as defined under PRC laws) are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers’ own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years since commencement of the construction; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, MLR promulgated the *Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets* (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for social security housing projects, housing for redevelopment of shanty towns or small or medium sized housing must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties will report to MLR and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for social security housing which is used for commodity property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On February 17, 2012, the MLR promulgated the *Measures on Administration of Plot Ratio of Construction Land* (建設用地容積率管理辦法) which came into effect on March 1, 2012. The Measures require that any entity or individual should comply with the plot ratio indicators determined according to the regulatory detailed planning approved legally and should not adjust the same randomly. If the adjustment is indeed required, the prescribed procedures should not be replaced in the form of government meeting minutes, etc. The measures stipulate that any construction entity or individual is not allowed to arbitrarily change the determined plot ratio, once the state-owned land use right is granted or allocated, except that it meets certain conditions. According to the Measures, as for a parcel of land of which plot ratio or other planning conditions have not been determined, its state-owned land use right is not allowed to be granted. If the plot ratio or other planning conditions are not included in the land use right grant contract, such contract is null and void.

On May 1, 2012, the MLR promulgated the *Notice on Further Strengthening and Improving the Pre-examination of Land for Construction Projects* (關於進一步加強和改進建設項目用地預審工作的通知) which reinforces the importance of pre-examination administration of land for commercial and industrial purposes. Taking advantage of tender, auction and listing-for-sale to avoid the pre-examination of the utility of land is strictly prohibited, so is entering into a land use right grant contract in advance or issuing a land use right certificate in substitute for a pre-examination opinion. Without passing a pre-examination, no application may be raised in terms of a project permit or construction land permit. On-line filing for records and tracking supervision shall also be strengthened.

DEVELOPMENT OF A REAL ESTATE PROJECT

Commencement of Development of a Property Project

When making project filings and obtaining approvals for a construction project, the construction entity or the developer must make a preliminary application for construction on the relevant site to the relevant land administration authorities in accordance with the *Measures for Administration of Examination and Approval for Construction Land* (建設用地審查報批管理辦法) promulgated by the MLR on March 2, 1999 and amended on November 30, 2010 and November 25, 2016, and the *Measures for Administration of Preliminary Examination of Construction Project Land* (建設項目用地預審管理辦法) promulgated by the MLR in July 2001, as amended on October 29, 2004, November 12, 2008 and November 25, 2016. After receiving the preliminary application, the land administration authorities will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authorities at the relevant municipal or county level will enter into a land grant contract with land user and issue an approval to the construction entity or the developer.

Planning for a Real Estate Project

Under the *Measures for the Administration of Planning of Grant and Assignment of Right to Use Urban State-owned Land* (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by MOHURD in December 1992, as amended on January 26, 2011, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a Construction Land Planning Permit from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organise the necessary planning and design work in accordance with planning and design requirements. Pursuant to the *PRC Law on Urban and Rural Planning* (中華人民共和國城鄉規劃法) promulgated by the Standing

Committee of NPC in October 2007, effective as of January 1, 2008, as amended on April 24, 2015, the real estate developer must apply to the planning administration authorities at the municipal or county level for a Construction Work Planning Permit before the construction of buildings, structures, roads, pipelines and other construction projects.

However, if a construction project is proceed without obtaining Construction Work Planning Permit or by violating the provisions of the Construction Work Planning Permit, the competent department of urban and rural planning of the local government at or above the county level shall order it to stop construction. If it is still possible for the construction entity or individual to take measures to eliminate the impact on the implementation of urban and rural planning, the department shall order it or him to correct within a certain time limit and impose a fine of not less than 5% but not more than 10% of construction cost; if it is impossible to take measures to eliminate the impact, the department shall order the construction entity or individual to dismantle the building or structure within a certain time limit and confiscate the real objects or the relevant income, and may also impose a fine not more than 10% of construction cost.

Expropriation of and Compensation for Housing on State-owned Land

In accordance with the *Regulations for the Expropriation of and Compensation for Housing on State-owned Land* (國有土地上房屋徵收與補償條例) promulgated by the State Council and implemented in January, 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land for the need of public interest, the owners of the housing being expropriated shall be offered a fair compensation.

Compensation offered by governments at municipal and county levels that makes housing expropriation decision to parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for value of housing being expropriated shall not be less than market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated shall be appraised and determined by a real estate price appraisal institution with corresponding qualification according to the housing expropriation appraisal measures. A party that objects to the value of the housing being expropriated appraised and determined may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for authentication.

The parties with housing being expropriated may choose monetary compensation, or may choose to exchange the property right of housing. If the parties with housing being expropriated choose to exchange the property right of housing, governments at municipal and county levels shall provide housing used for the exchange of property right, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property right. If residential housing of an individual is expropriated due to renovation of old urban district and individual chooses to exchange for the property right of housing in the area being renovated, governments at municipal and county levels that make the housing expropriation decision shall provide the housing in the area being renovated or the nearby area.

Construction of a Property Project

When the construction site has been properly prepared and is ready for the commencement of construction works, a developer must apply for a Construction Work Commencement Permit (建設工程施工許可證) from construction authorities at or above the county level according to the *Measures for Administration of Granting Permission for Commencement of Construction Works* (建築工程施工許可管理辦法) promulgated by MOHURD in October 1999, as amended in July 2001 and June 25, 2014, which became effective on October 25, 2014.

According to the *Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects* (國務院辦公廳關於加強和規範新開工項目管理的通知) issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of

projects shall fulfil certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction work commencement permit or construction start-up report.

Completion of a Property Project

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the *Regulation on the Quality Management of Construction Projects* (建設工程質量管理條例), which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the *Regulations on Energy Efficiency for Civil Buildings* (民用建築節能條例), which came into effect on October 1, 2008, which reduces the energy consumption of civil buildings and improves the efficiency of the energy utilization. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in no neither commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the *Provision on Inspection Upon completion of Housing Construction and Municipal Infrastructure Projects* (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by MOHURD in December 2013, and file with the construction authority at or above the county level where the project is located within 15 days after the construction is qualified for the acceptance examination according to the *Provisional Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure* (房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法) promulgated by MOHURD in April 2000, as amended in October 2009. The developer must also report details of the acceptance examination. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each phase upon completion.

TRANSFER OF REAL ESTATE

According to the PRC Law and the *Provisions on Administration of Transfer of Urban Real Estate* (城市房地產轉讓管理規定) promulgated by the MOHURD on August 7, 1995 and as amended on August 15, 2001, a real estate owner may sell, gift or otherwise legally transfer property to another natural person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer must enter into a written property transfer contract and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land use rights as required by the land grant contract and a land use rights certificate has been obtained;
- development has been carried out according to the land grant contract and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed;
- in case of a whole land lot development project, construction works have been carried out as planned, and water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes; or

- in case of where the building has been completed in construction, the property ownership certificate must have been obtained.

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the competent government authorities approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant laws and regulations.

SALE OF COMMODITY PROPERTIES

Under the *Measures for Administration of Sale of Commodity Properties* (商品房銷售管理辦法) promulgated by MOHURD in April 2001, which became effective in June 2001, sale of commodity houses may include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the *Measures for Administration of Pre-sale of Urban Commodity Properties* (城市商品房預售管理辦法), or the *Urban Pre-sale Regulation*, promulgated by MOHURD in November 1994, as amended in August 2001 and July 2004, and the other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a pre-sale permit must be in place before the pre-sale of a commodity building. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold. A commodity building may be sold before completion only if:

- the land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction works planning permit and a construction work commencement permit have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained; and
- a pre-sale permit has been obtained through pre-sale registration.

In accordance with the *Measures for Administration of Sale Commodity Property* (商品房銷售管理辦法), commodity buildings may be put to post-completion sale and delivery after they have passed the completion examination and satisfy various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

According to the *Regulations on Administration of Development of Urban Property* (城市房地產開發經營管理條例) and the *Urban Pre-sale Regulation*, for the pre-sale of a commodity property, the developer must sign a contract on the pre-sale of the commodity property with the purchaser. The developer must, within 30 days of signing the contract, apply for registration and filing of the contract for pre-sale of commodity property at the relevant departments of the municipal or county-level governments. Property administrative departments are required to use network information technology to gradually implement a web-based registration of pre-sale contracts.

On April 30, 2005, MOHURD and other departments issued *the Opinion on Stabilising Residential Property Prices* (關於做好穩定住房價格工作的意見) which provided the following with respect to commodity property pre-sales and sales:

- The purchaser of a pre-sold commodity property is prohibited from transferring such property that is still under construction. Before a pre-sold commodity property is completed and delivered and the purchaser obtains the individual property ownership certificate, the property administrative department must not give effect to any transfer of the commodity property. If there is discrepancy between the name of the applicant for property ownership and the name of the purchaser in the pre-sales contract, the property ownership registration administration must not record the application of property ownership; and
- A real name identification system must be applied to house purchase and an immediate record filing network system for pre-sale contracts of commodity buildings must be established.

On April 13, 2010, MOHURD issued the *Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses* (關於進一步加強房地產市場監管完善商品住房預售制度的有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developer are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to sell completed commodity properties.

The *Provisions on Sales of Commodity Properties at Clearly Marked Price* (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency (“real estate operators”) is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

On October 10, 2016, MOHURD promulgated the *Circular on Further Regulating the Operation of Real Estate Developers to Protect the Real Estate Market Discipline* (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to the applicable laws. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

MORTGAGE OF REAL ESTATE AND REAL ESTATE LOANS

Mortgage of Real Estate

Under the *Urban Real Estate Law*, the *PRC Guarantee Security Law* (中華人民共和國擔保法) promulgated by the Standing Committee of the NPC on June 30, 1995 and implemented on October 1, 1995, and the *Measures on the Administration of Mortgages of Urban Real Estate* (城市房地產抵押管理辦法) promulgated by MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is created on a property legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the property is situated. The land use rights of state-owned lands acquired through means of grant, when being mortgaged, the properties on the land must also be mortgaged at the same time. The mortgager and the mortgagee must sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage must register the mortgage with the property administrative authority at the location where the property is situated. A property mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a building ownership certificate has been obtained, the registration authority must make an entry under the "third party rights" item on the original building ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or under construction, the registration authority will record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved must re-register the mortgage of the property after issuance of the certificates evidencing the ownership of the property.

The *Property Rights Law* further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

Property Development Loans and Loans for Individual Housing Consumption

PBOC issued the *Circular on Further Strengthening the Management of Loans for Property Business* (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual residential properties and individual commercial properties as follows:

- The property loan by commercial banks to property enterprises must be granted only by the item of property development rather than cash flow loan item or other loan item. Any kind of loan cannot be granted for the projects which do not have land-use rights certificates, construction land planning permits, construction works planning permits and construction work commencement permits;
- Property loans may be granted to property enterprises which are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans must be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and must be properly restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property enterprises with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring;
- Commercial banks shall not grant loans to property developers to pay off land premium;

The first instalment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 sq.m. or more, effective on June 1, 2006. See "— Measures on Property Price Stabilization" below.

In a *Circular on Facilitating the Continuously Healthy Development of Property Market* (關於促進房地產市場持續健康發展的通知) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of economically affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high quality commodity houses. Besides, the

government also staged a series of measures on the lending for residential development. They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the *Guidance on Risk Management of Property Loans of Commercial Banks* (商業銀行房地產貸款風險管理指引) issued by CBRC on August 30, 2004, any property developer applying for property development loans must have at least 35% of capital required for the development.

According to the *171 Opinions*, FIREEs which have not paid up their registered capital, or failed to obtain a land-use rights certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE may not approve the registration of foreign loans for such enterprises.

In September 2007, PBOC and CBRC promulgated a *Circular on Strengthening the Administration of Commercial Real Estate Credit Loans* (關於加強商業性房地產信貸管理的通知), supplemented by a supplemental circular issued in December 2007. The circular aims to tighten the control over real-estate loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more and the purchaser is buying the property as its own residence;
- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any member of the family that buys another residential unit with bank loans will be regarded as a second-time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are allowed flexibility based on its risk assessment;
- for a purchaser of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties;
- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties;
- prohibiting commercial banks from lending to real estate developers solely for the payment of land premiums; and
- commercial properties purchase by loans must have been completed and passed completion acceptance inspection.

On December 5, 2007, PBOC and CBRC jointly issued the *Supplemental Circular on Strengthening the Management of Commercial Real-estate Credit Loans* (關於加強商業性房地產信貸管理的補充通知), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his spouse and minor children.

On July 29, 2008, PBOC and CBRC jointly issued the *Notice on Promoting Economic Use of Land through Finance* (關於金融促進節約集約用地的通知). Commercial banks must provide financial support preferentially to the projects with economic use of land, such as the development of low-rent

housing, economically affordable housing, price-capped housing and properties with a total GFA of less than 90 sq.m. The commercial banks are prohibited from granting loans to the property developers for payment of land premium. The Notice emphasises tightening the policy requirements and management of loans to certain projects, including:

- the management of loans for construction projects. The commercial banks are prohibited from providing loans to (i) the projects which do not meet the relevant planning and control requirements, (ii) the projects which have illegal land use and (iii) the projects for which the relevant land falls into the catalogue of banned land use projects. Where a loan has already been granted to such a project, it must be gradually recovered provided that necessary protection measures have been taken. A financial institution must exercise caution in granting a loan to projects falls into the catalogue of restricted land use projects.
- the examination of loans for municipal infrastructures and industrial land use projects.
- the management of loans for rural collective construction land use projects. The commercial banks are prohibited from providing loans to the commercial projects which using rural collective land.
- the management of credit for commercial property development projects.

With respect to loans provided for land reservation in the form of mortgage, a land use rights certificate must be obtained. In addition, the maximum mortgage ratio must not exceed 70% of the appraised value of the underlying collateral and, in principle, the term of loan must not exceed two years. When the relevant land and resource authority confirms that an enterprise has developed less than 1/3 of the site area of land or has invested less than 1/4 of the total investment for the project after one year from the date of construction commencement as stipulated in the land grant contract, the commercial bank must exercise caution in granting loans to the enterprise and strictly control extended loans or rolling credits to it.

In December 2008, the General Office of State Council issued the *Opinions on Promoting the Healthy Development of Real Estate Market* (關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-used housing for the first-time by borrowing a mortgage loan must enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate must be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

In September 2010, PBOC and the CBRC jointly issued the *Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies* (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that all property companies with records of being involved in idle land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

MEASUREMENTS ON PROPERTY PRICE STABILIZATION

On May 24, 2006, the General Office of State Council issued the *Notice on the Opinions on Adjusting the Housing Supply Structures and Stabilising Property Prices* (關於調整住房供應結構穩定住房價格的意見). The opinion stated, among other things, that

- at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-size units and low-cost rental properties, at the same time, local government should focus on controlling the construction of high-end residential houses;

- To curb any speculation in the real estate market, a business tax, which is calculated based on the revenue of the property sale, would be levied from June 1, 2006 on the total revenue arising from any transfer by individuals of houses within five years from their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses by individuals after five or more years from their initial purchase thereof; and
- Increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more, effective from June 1, 2006.

The *171 Opinions* aims to tighten the access of foreign capital into the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among other things, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self-use. The registered capital of such foreign invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US\$ 10.0 million. Branches and representative offices of foreign institutions in China as well as foreign individuals who work or study in China for more than one year may purchase commodity properties for their own use but not for any other purposes; foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than one year are prohibited from purchasing any commodity properties in China. In September 2006, SAFE and MOHURD jointly issued the *Notice on Regulating Issues Relating to Management of Foreign Exchange of Real Estate Market* (關於規範房地產市場外匯管理有關問題的通知), or the *47 Notice*, to implement the *171 Opinions*. The *47 Notice* provides specific procedures for purchasing properties by foreign institutions and foreign individuals. The *47 Notice* which was amended by *Notice of SAFE on Repealing and Amending Regulatory Documents Relating to Reform of Registered Capital Registration System* (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知) also forbids a FIREE to apply for overseas loans if it has failed to obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the relevant project.

In January 7, 2010, the General Office of State Council issued a *Notice on Facilitating the Stable and Healthy Development of Property Market* (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilise market expectation and facilitate the stable and healthy development of the property market, which include, among others, measures to increase the supply of economic affordable housing and low-rent housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly provides that the minimum down payment of a second or further residential property through mortgage financing for a family (including the borrower, the borrower's spouse and minor children) that has already purchased a residential property through mortgage financing shall be no less than 40% of the purchase price.

On April 17, 2010, the State Council issued a *Notice on Strict Control of the Escalation of Property Price in Certain Cities* (關於堅決遏制部分城市房價過快上漲的通知) to adopt a series of new measures to keep the property price from surging in certain cities in China. The new measures include, among others: Higher minimum down-payment requirement, control over bank lending, punishment of speculative developers and disclosure of property ownership.

On September 29, 2010, PBOC and CBRC jointly issued the *Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies* (關於完善差別化住房信貸政策有關問題的通知), according to which, the minimum down-payment has been raised to 30% of the purchase price of the commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property or non-local residents who fail to provide one-year or longer tax payment certificates or social insurance payment certificates. For a mortgage on the second residential property, the minimum down-payment must be 50% of the purchase price and the interest rate must be no less than 1.1 times that of the corresponding benchmark interest rate over the same corresponding period released by the PBOC.

On January 26, 2011, the State Council issued the *Notice on Further Adjustment and Control of Property Markets* (關於進一步做好房地產市場調控工作有關問題的通知) which requires, among other restrictive measures: (i) a minimum down-payment of 60% of the total purchase price with a minimum mortgage interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, local residents with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social insurance payment for a specified time period, are not permitted to purchase any residential properties located in the local administrative area.

On March 30, 2015, MOF and SAT jointly issued the *Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals* (關於調整個人住房轉讓營業稅政策的通知). Pursuant to the notice, business tax will be levied upon the transfer of a residential property held by an individual for less than two years and the amount of business tax to be paid will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential property held for two years or more, the business tax to be paid will be calculated based on the difference between the sale proceeds and the original purchase price. An individual transferring an ordinary residential property held for two years or more will be exempted from the business tax.

The MLR promulgated the *Notice on Accomplishment of Real Estate Land Administration and Control in 2012* (國土資源部關於做好2012年房地產用地管理和調控重點工作的通知) on February 15, 2012. The notice provides that:

- The real estate control policy shall be firmly performed and the key tasks shall be clarified. The real estate land administration and control is confronting fundamental requirements and key tasks that the control policy by central government shall be strictly implemented, the supervision and control shall be strengthened, while the price of real estate and land shall be stable and reasonable.
- The real estate land supply shall be properly managed for the purpose of the welfare of the masses. Relevant authorities shall compile the annual supply plan of land for residential purposes of year 2012 from a scientific and reasonable perspective. The planned land supply quantity shall be no smaller than the average quantity of the recent five years, no less than 70% among which shall be designated for social security housing projects, housing for redevelopment of shanty towns and small or medium sized residential housing. The supply of land for social security housing projects shall be guaranteed. The supply of high-end housing land shall be strictly controlled and no land shall be permitted for the development of villas.
- The land supply for social security housing projects shall be guaranteed. The construction land permission procedure for social security housing projects shall be accelerated.
- Unlawful acts shall be strictly punished and the development and construction shall be vigorously encouraged. Unlawful acts, including any of the following ones, shall be prohibited: a land use right is granted over a parcel of land where the land area exceeds the size approved by the relevant competent authorities; bundled transfer of more than one parcel of land; a land use right is granted over a parcel of land where the demolition of buildings erected on such land has not been carried out of the occupants of such land have not been compensated for the demolition and resettlement; a land use right is granted over a parcel of land with a plot ratio of less than one. A reporting system shall be implemented according to which, when concluding a land grant contract, a provision providing land users report to land and resources authorities in a written form before or at the commencement and completion of a project.
- Supervision analysis and media propaganda shall be strengthened to provide a positive guidance towards the market. Relevant local departments shall strengthen the supervision over land price. A record filing system of abnormal land purchases shall be implemented and improved.

The Notice of the General Office of the State Council on Effectively Regulate the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) issued by the General Office of the State Council on February 26, 2013 provides that, with the view to continuing the regulation of the real estate market in 2013 and promoting the stable and healthy development of the real estate market, the following measures shall be taken:

- The provincial and municipal governments shall take their respective responsibilities in stabilising the prices in the real estate market;
- Purchase of properties for investment purposes shall be firmly restricted. Firstly, the measures of commodity properties purchase restriction shall be performed and further improved. All administrative regions of a municipality are covered by the aforementioned restriction policy no matter the property to be purchased is newly developed or second hand. A non-locally-registered family which (i) already has one or more properties; (ii) cannot provide the evidence of tax levy or social insurance payment for a certain term, is not allowed to purchase a new property within the local administrative region. Secondly, the policy of differentiated housing credit shall be strictly enforced. At last, tax authorities shall closely cooperate with departments of housing and urban-rural development of levy the individual income tax, which is payable on the sales of owner-occupied properties at 20% of the transfer income if the original value of the properties can be verified through historical information (such as tax collection and administration, property registration, etc.);
- The supply of ordinary commodity properties and land for property construction shall be increased;
- The planning and construction of affordable housing projects shall be accelerated;
- Market regulation and expectation management shall be strengthened. From 2013 onward, all regions shall raise the threshold of commodity properties pre-sale. Besides, the credit management of real estate development enterprises shall be reinforced. Relevant departments shall establish a joint action mechanism to mete out heavier punishments against real estate development enterprises that hold idle land, engage in land speculation, hoard properties, drive up prices or commit other illegalities or irregularities. Departments of land and resources shall prohibit such real estate development enterprises from bidding for new land plots, banking financial institutions shall not grant loans for their new development projects, securities regulatory authorities shall suspend the approval of their applications for listing, refinancing or major asset restructuring, and banking regulatory authorities shall prohibit them from raising funds through trust schemes.

PROPERTY MANAGEMENT

According to the *Regulation on Property Management* (物業管理條例) enacted by the State Council on June 8, 2003, effective September 1, 2003, and as amended on August 26, 2007 and February 6, 2016, the government implements a qualification scheme system in monitoring the property service enterprises.

According to the above MOHURD measures, the qualification of a property service enterprise is classified into three classes. Property service enterprises with class one qualification may undertake various property management projects. Property service enterprises with class two qualification may undertake the property management business of residential projects of less than 300,000 sq.m. and the non-residential projects of less than 80,000 sq.m. Property service enterprises with class three qualification may undertake the property management business of residential projects of less than 200,000 sq.m. and non-residential projects under 50,000 sq.m. MOHURD is responsible for the issuance and administration of class one qualification certificates. The MOHURD authorities at provincial level governments are responsible for the issuance and administration of class two qualification certificates. Designated MOHURD or similar authorities at lower level governments are charged with the issuance and administration of class three qualification certificates.

In accordance with the *Property Rights Law*, owners in a property project may engage or dismiss its property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the project.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Income Tax

According to the *PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法), promulgated by the Standing Committee on March 16, 2007 as amended by the SCNPC on February 24, 2017, or the *EIT Law*, a uniform income tax rate of 25% is currently applied to foreign invested enterprises in China as well as PRC enterprises. In addition, under the *EIT Law*, enterprises established under the laws of jurisdictions outside China with their “*de facto* management bodies” located within mainland China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The *EIT Law* provides that “*de facto* management body” of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise.

On March 6, 2009, SAT issued the *Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development and Operation* (房地產開發經營業務企業所得稅處理辦法) effective on January 1, 2008, which specifically stipulates the rules regarding tax treatment of income and deduction of cost and fees, verification of calculated tax cost and tax treatment on certain matters of the real estate development enterprise according to the *EIT Law* and its implementation rules.

On May 12, 2010, SAT promulgated the *Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises* (關於房地產開發企業開發產品完工條件確認問題的通知), which provides that a property will be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate developers must conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Furthermore, pursuant to the *EIT Law* and the *Implementation Rules on the Enterprise Income Tax* (企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the *Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (內地和香港特別行政區關於所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the *Notice of the State Administration of Taxation, or SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties* (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on February 20, 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty. One such requirement is that the taxpayer must be the “beneficiary owner” of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties (國家稅務總局關於稅收協定中“受益所有人”的通知), promulgated by SAT on February 3, 2018 and effective April 1, 2018, defined the “beneficial owner” as a party who holds ownership and control over incomes or the rights or assets from which the incomes are derived.

Business Tax

Pursuant to the *Interim Regulations of the PRC on Business Tax* (中華人民共和國營業稅暫行條例(2008年修訂)) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994 and as amended on November 5, 2008, and the *Detailed Implementation Rules of the Interim Regulation of the PRC on Business Tax* (中華人民共和國營業稅暫行條例實施細則(2011年修訂)) issued and implemented by MOF on December 25, 1993 and as amended on December 15, 2008 and October 28, 2011, services in China are subject to business tax. The business tax rate is from 3% to 20% depending on the type of services provided. Taxable services include sale of real property in China. Sale of real properties and other improvements on the land attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

On November 16, 2011, as approved by the State Council, the Ministry of Finance and the State Administration of Taxation promulgated the Pilot Plan for the Imposition of Value-Added Tax to Replace Business Tax (營業稅改征增值稅試點方案) (the “Pilot Plan”). According to the Pilot Plan, business establishments as specified in the Pilot Plan would pay Value-Added Tax (“VAT”) instead of business tax and the industries under the Pilot Plan would start from transportation services and certain modern services. The Pilot Plan also stated that leasing of tangible movable property would be subject to the VAT rate of 17%, transportation and construction services being subject to the rate of 11% and other modern services being subject to the rate of 6%. The Pilot Plan initially applied only to the transportation industry and certain modern service industries in Shanghai and expanded to nationwide in 2013. The industries under the Pilot Plan have also been expanded in the past years and at present include industries involving postal services, transportation services, research and development and technical services, information technology services, cultural and creative services, logistics and ancillary services, the leasing of tangible movable property, certification and consulting services, radio and television services and telecom services. On March 23, 2016, MOF and SAT issued Notice on Adjustment of Transforming Business Tax to Appreciation Tax (關於全面推開營業稅改增值稅試點的通知), which became effective on May 1, 2016, providing that the sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 as stated on the construction works commencement permit) by a general taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving advance payment.

Land Appreciation Tax

Under the *Provisional Regulations of the PRC on Land Appreciation Tax* (中華人民共和國土地增值稅暫行條例) promulgated by the State Council on December 13, 1993 and became effective on January 1, 1994 and its implementation rules which were promulgated by the MOF on January 27, 1995, any appreciation gain from a transfer of property is subject to LAT. LAT must be charged at four levels of progressive rates: 30% for the appreciation amount not more than 50% of the sum of deductible items; 40% for the appreciation amount more than 50% but not more than 100% of the sum of deductible items; 50% for the appreciation amount more than 100% but not more than 200% of the sum of deductible items; and 60% for the appreciation amount more than 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities;
- appraisal of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by MOF.

SAT issued the *Notice on Improvement of the Administration of the Collection of Land Appreciation Tax* (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to require local tax authorities to modify their management system of LAT collection and operational details, to formulate and implement a sound taxpaying declaration system for LAT, to improve the methods of prepayment of LAT.

On March 2, 2006, MOF and SAT issued the *Notice on Several Matters on Land Appreciation Tax* (關於土地增值稅若干問題的通知), as amended by the Notice of the MOF and the SAT on Relevant Land Appreciation Tax Policies for Enterprise Restructuring and Reorganization (財政部、國家稅務總局關於企業改制重組有關土地增值稅政策的通知), to clarify the relevant issues regarding LAT as follows:

- The notice clarifies the application of LAT exemption on sales of ordinary residential properties built by real estate developer and transfer of ordinary residential properties by individuals;
- The notice also provides that, where any developer develops ordinary residential properties as well as commercial properties, the land appreciation amount must be separately calculated and verified;
- As to the advance collection and settlement of LAT, the notice requires all local LAT collection departments to design their LAT prepayment rate in a reasonable manner, and to adjust it on a timely basis according to the appreciation of the property, the local market development and the specific property categories, such as ordinary residential properties, non-ordinary residential properties and commercial properties. The notice also require that LAT settlement be conducted upon the completion of a property project in a timely manner, and return the overcharge and demand the payment of the shortage;
- As to any LAT that has not been prepaid within the advance collection period, the overdue fines must be imposed and collected as of the day following the expiration of the prescribed advance collection period according to the PRC law on the Administration of Tax Collection and its implementation rules; and
- As to any property has received its certificate of completion, and the saleable GFA of the project that has been transferred constitutes more than 85% of the total saleable GFA, the tax authorities may require the relevant taxpayer to settle LAT on the transferred properties in proportion to the income generated from, and items of deduction relating to, the transferred properties, with the specific LAT settlement procedures to be provided by local tax authorities at provincial-level governments.

On December 28, 2006, SAT issued the *Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises* (關於房地產開發企業土地增值稅清算管理有關問題的通知), which came into effect on February 1, 2007. Pursuant to the notice, a real estate developer must settle the LAT payment in full with the relevant tax authorities at the applicable LAT rates with respect to its property projects that have come to meet the LAT settlement criteria. For projects developed in stages, LAT must also be settled in stages. LAT must be settled if (i) the property project has been completed and fully sold; or (ii) the property developer has transferred the whole incomplete property project to another party; or (iii) the underlying land use rights with respect to a property project has been transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any one of the following criteria is met: (i) for completed property projects, the sold GFA represents more than 85% of total saleable GFA or, if such proportion is less than 85%, the remaining saleable GFA is subject to leasing arrangements or is used by the developer; (ii) the property project has not been completely sold for more than three years after obtaining the pre-sale permit or the certificate of completion; (iii) the developer is applying for cancellation of its tax registration without having settled the relevant LAT; and (iv) other situations stipulated by the local provincial tax authorities.

The notice also provides that, if a property developer has committed any of the following acts, the tax authorities are required to levy and collect LAT at a rate no lower than the LAT pre-payment rate of enterprises with a similar development scale and income level in the locality: (i) failure to maintain its accounting books required by the laws and regulations; (ii) destruction of its accounting books without

authorization or failure to provide its tax information; (iii) its accounting books are not in proper order, with its supporting income and cost vouchers damaged and incomplete, so as to make it difficult to determine the sales revenue or the proper amount of deductible items; (iv) failure to complete the LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously lower than supportable. Local tax authorities at the provincial level may formulate their implementation rules according to the notice and local circumstances.

On May 12, 2009, SAT issued the *Administrative Rules for the Settlement of Land Appreciation Tax* (土地增值稅清算管理規程), which became effective on June 1, 2009. The rules reiterate the LAT settlement requirements, and further stipulate procedures for the examination and verification with respect to the LAT settlement to be followed by the tax authorities.

On May 19, 2010, SAT promulgated the *Notice on Issues Regarding Land Appreciation Tax Settlement* (關於土地增值稅清算有關問題的通知), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, SAT issued the *Notice on Strengthening the Collection of Land Appreciation Tax* (關於加強土地增值稅徵管工作的通知), which provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China region. The notice also delegate to the local tax authorities to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

Deed Tax

Pursuant to the *Interim Regulations of the People's Republic of China on Deed Tax* (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, a deed tax is chargeable to transferees of land use rights and/or property ownership within the territory of China. The rate of deed tax ranges from 3% to 5% to be determined by the governments at the provincial level and reported to MOF and SAT for record.

Urban Land Use Tax

Pursuant to the *Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas* (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, and further amended by the State Council on December 7, 2013, the land use tax in respect of urban land is levied on the units (including FIREEs) and individuals using the land within cities, counties, administrative towns, industries and mining areas. The annual tax on each sq.m. of urban land is between RMB0.6 and RMB30 in terms of the location of lands and is to be collected according to the tax rate determined by the local tax authorities.

Building Tax

Under the *Interim Regulations of the People's Republic of China on Real Property Tax* (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986, implemented on October 1, 1986, and amended on January 8, 2011, real property tax is levied at 1.2% calculated on the basis of the residual value of a property and at 12% calculated on the basis of the rental income.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental protection for real estate developments in China include the *PRC Environmental Protection Law* (中華人民共和國環境保護法), the *PRC Environmental Prevention and Control of Noise Pollution Law* (中華人民共和國環境噪聲污染防治法), the *PRC Environmental Impact Assessment Law* (中華人民共和國環境影響評價法) and the *Administrative Regulations on Environmental Protection for Development Projects* (建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities

will grant approval for the commencement of construction of the real estate development. In addition, upon completion of the real estate development, the relevant environmental regulatory authorities will also inspect the property project to ensure compliance with the applicable environmental protection standards and regulations before the property project may be delivered to the purchasers.

FOREIGN EXCHANGE CONTROLS

Under the *PRC Foreign Currency Administration Rules* (中華人民共和國外匯管理條例) promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The foreign currency payments received under current account may be retained pursuant to the relevant regulations. Payments of current-account items may be remitted in foreign currencies without prior approval from the relevant SAFE authorities by complying with certain procedural requirements. The foreign currency receipts and remittances under current account should have a genuine and legitimate basis, and financial institutions processing such transactions must verify the authenticity of the relevant transaction documents and their consistency with the foreign currency receipts or remittances. However, to keep or convert any foreign currency payment under capital account requires pre-approval from the relevant SAFE authorities, unless specifically exempted under applicable regulations. If a regulatory pre-approval is not specifically required, payment of capital-account items may be remitted in foreign currency directly to financial institutions, provided that valid documentation is presented. Foreign exchange transactions involving foreign direct investment, foreign debts and outbound investment in securities and derivatives are subject to limitations and require approvals from the relevant SAFE authorities.

The *Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market* (關於規範房地產市場外匯管理有關問題的通知) jointly issued by SAFE and MOHURD On September 1, 2006 which was amended by *Notice of SAFE on Repealing and Amending Regulatory Documents Relating to Reform of Registered Capital Registration System* (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知), provided: (i) where a FIREE fails to acquire a land use rights certificate or to make its capital funding for a development project amounting to 35% of the total investment to the project, the SAFE authorities will not handle its foreign debt registration or approve its settlement of foreign exchange funds; (ii) where a foreign institution or individual merges a domestic real estate enterprise by way of share transfer or any other ways, or acquires shares of the Chinese partner of an equity joint venture, but fails to pay the transfer price in a lump sum with its/his own fund, the SAFE authorities will not process the registration of foreign exchange proceeds from transfer of equities; (iii) the domestic and foreign investors of a FIREE may not enter into an agreement or undertaking that promises a fixed return in any form to any party, or the SAFE authorities will not process the foreign exchange registration or registration modification for the FIREE, and (iv) the funds in the foreign exchange account in the name of a foreign investor in a domestic bank may not be used for the property development or operation of the FIREE.

On July 4, 2014, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles 《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, or Notice 37, which replaced the Notice on Issues Relating to the Administration of Foreign Exchange for the Financing and Reverse Investment by Domestic Residents via Offshore Special Purpose Vehicles issued by SAFE in October 2005, or Notice 75. Pursuant to Notice 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this Notice as a “special purpose vehicle.” Under Notice 37, the term “PRC institutions” refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term “PRC individual residents” includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefits. A registered special purpose vehicle is required to amend its SAFE registration in the event of any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident’s increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or

indirect control, the relevant PRC individual residents could register with the local SAFE branch before exercising such options. The SAFE simultaneously issued a series of guidance to its local branches with respect to the implementation of Notice 37.

On March 30, 2015, SAFE issued the Circular on Reforming the Management Approach Concerning the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises 《關於改革外商投資企業外匯資金結匯管理方式的通知》, effective as of June 1, 2015, which provides that, (i) the capital of foreign-invested enterprises and capital in Renminbi obtained from foreign exchange settlement shall not be (a) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; (b) directly or indirectly used for investment in securities unless otherwise provided by laws and regulations; (c) directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and (d) used for paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises; (ii) except for transfer of equity investment in the original currency, foreign-invested enterprises with investment as the primary business are permitted to directly settle the foreign exchange capital or transfer the capital in Renminbi in the Account Pending for Foreign Exchange Settlement Payment to the account of invested enterprises based on the actual investment scale on the premise that the domestic investment project is authentic and compliant.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating the Policies on the Control over Foreign Exchange Settlement of Capital Account 《關於改革和規範資本項目結匯管理政策的通知》 which provides that, among others, (i) foreign invested enterprise may go through the foreign exchange settlement for their foreign debts at its own discretion; (ii) foreign exchange receipts of capital account, including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing, subject to discretionary settlement as expressly prescribed in the relevant policies, provisionally, may be settled up to 100% with banks according to the actual need of domestic enterprises for business operation and (iii) foreign exchange receipts of capital account and the receipt in Renminbi obtained from foreign exchange settlement shall not be (a) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; (b) directly or indirectly used for investment in securities unless otherwise provided by law and regulations; (c) used for the granting of loans to non-affiliated enterprises unless otherwise permitted in business scope of licenses; and (d) except for real estate enterprises, used for the construction or purchase of real estate for purposes other than self-use.

DIVIDEND DISTRIBUTION

The principal PRC regulations governing the distribution of dividends by our PRC subsidiaries are (i) The Company Law, as amended in 2005 and 2014, (ii) The Wholly Foreign-Owned Enterprise Law (as amended); and (iii) The Sino-foreign Equity Joint Venture Law (as amended).

Under these regulations, FIEs in China may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a FIE in China is required to set aside at least 10% of its post-tax income each year, if any, to fund a reserve fund until the accumulated reserve amounts to 50% of its registered capital. These reserves are not distributable as cash dividends.

TAXATION

The following summary of certain Bermuda, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this offering memorandum are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BERMUDA

Tax

At the present time, there are no Bermuda taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or inheritance tax payable by the Issuer. Profits can be accumulated and it is not obligatory for an issuer to pay dividends. The Issuer is required to pay an annual government fee (the “Government Fee”), which is determined on a sliding scale by reference to the Issuer’s authorised share capital and share premium account, with the minimum fee being BD\$1,995 and the maximum fee being BD\$31,120 (the Bermuda dollar is treated at par with the US dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at August 31 in the preceding year.

The Bermuda government has enacted legislation under which the Minister of Finance of Bermuda is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entity or any of its operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, LLC interest, debentures or other obligations of such entity. An assurance has been obtained by the Issuer for a period ending March 28, 2035, but this assurance will not prevent the imposition of Bermuda tax payable in relation to any land in Bermuda leased or let to the Issuer or to persons ordinarily resident in Bermuda.

Stamp Duty

The Issuer is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies).

BRITISH VIRGIN ISLANDS

A British Virgin Islands business company is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the British Virgin Islands. There is no capital gain tax, estate or inheritance tax payable by persons who are not persons resident in the British Virgin Islands.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal, premium (if any) or interest in respect of the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), as it is currently applied by the Inland Revenue Department, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- (a) a financial institution (as defined in the Inland revenue Ordinance) and arise through or form the carrying on by the financial institution of its business in Hong Kong; or
- (b) a corporation carrying on a trade, profession or business in Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest payment is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holder of the Notes is maintained outside Hong Kong).

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest

The EIT Law and the Implementation Rules on the Enterprise Income Tax, effective January 1, 2008, impose a tax at the rate of 10% on interest paid to holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interest is sourced within China. Pursuant to these provisions of the EIT Law, if we are considered a PRC resident enterprise, interest payable to non-resident enterprise holders on the Notes will be treated as income derived from sources within China and be subject to the PRC withholding tax.

To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains

The EIT Law and the Implementation Rules on the Enterprise Income Tax impose a tax at the rate of 10% on capital gains realised by holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the EIT Law, if we are considered a PRC resident enterprise, the capital gains realised by non-resident enterprise holders of the Notes will be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside PRC) of the Notes.

PLAN OF DISTRIBUTION

Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, Capital Corporation Hong Kong Securities Limited and Morgan Fuel Go Securities Limited are the initial purchasers (the “Initial Purchasers”) to this offering and are acting as the Joint Bookrunners and Joint Lead Managers to this offering. Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited and China International Capital Corporation Hong Kong Securities Limited are acting as the Joint Global Coordinators to this offering. Subject to the terms and conditions contained in a purchase agreement dated April 25, 2018 (the “Purchase Agreement”), each Initial Purchaser has agreed to purchase from us, and we have agreed to sell to such Initial Purchaser, the following principal amount of the Notes set forth opposite such Initial Purchaser’s name.

Initial Purchasers	Principal Amount
	US\$
Guotai Junan Securities (Hong Kong) Limited	U.S.\$30,000,000
Haitong International Securities Company Limited	U.S.\$30,000,000
The Hongkong and Shanghai Banking Corporation Limited	U.S.\$30,000,000
China International Capital Corporation Hong Kong Securities Limited.	U.S.\$30,000,000
Morgan Fuel Go Securities Limited.	<u>U.S.\$30,000,000</u>
Total.	<u><u>U.S.\$150,000,000</u></u>

The Purchase Agreement provides that the obligation of each of the Initial Purchasers to pay for and accept delivery of the Notes is several and not joint and subject to certain other conditions. The Purchase Agreement may be terminated by the Initial Purchasers in certain circumstances prior to the payment of the Notes.

The Initial Purchasers initially propose to offer the Notes to investors at the offering price set forth on the cover page of this offering memorandum outside the United States in reliance on Regulation S under the Securities Act. See “Transfer Restrictions.” After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

We and the Subsidiary Guarantors have agreed to jointly and severally indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof. We and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with this offering. In addition, we have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The Notes are a new issue of securities with no established trading market. We will seek a listing of the Notes on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. In connection with this offering of the Notes, each of the Initial Purchasers (or any person acting on behalf of it) may, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities, which may be effected in the over-the-counter market or otherwise, may stabilize or maintain the market price of the Notes above independent market levels. However, the Initial Purchasers are not obligated or required to engage in these activities, and may end any of these activities at any time at their sole discretion without prior notice. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

We have agreed that, for a period of 30 days from the date of this offering memorandum, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us and having a tenor of more than one year (other than (i) the Notes and (ii) any such debt securities offered in any private placement). The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

We expect that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this offering memorandum, which we expect will be on or about the three business day following the pricing date of the Notes (this settlement cycle being referred to as “T+3”). Purchasers who wish to trade Notes prior to that date will be required, by virtue of the fact that the Notes initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own legal adviser.

Investors who purchase Notes from the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

The Initial Purchasers and their affiliates may have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory services brokerage, wealth management, private equity, trading and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses. In addition, we issued the 2015 Private Notes to Haitong International Securities Company Limited, of which the entire principal amount is outstanding as of the date of this offering memorandum. We intend to use the proceeds from this offering to repay the 2015 Private Notes at maturity. Consequently, Haitong International Securities Company Limited will receive a portion of the proceeds from this offering. Furthermore, we may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, the Initial Purchasers and/or their affiliate(s) may act as an investor for its own account and may take up Notes in this offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with this offering. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Selling Restrictions

General

No action is being taken or is contemplated in any jurisdiction that would permit a public offering of the Notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes and the Subsidiary Guarantees are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Subsidiary Guarantees, an offer or sale of the Notes or the Subsidiary Guarantees within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of sales to EEA retail investors

Each of the initial purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA.

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Initial Purchaser has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Initial Purchaser has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”) under the securities and Futures Act (Chapter 289 of Singapore) (the “SFA”). Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This offering memorandum has not been and will not be registered as a prospectus with the MAS under the SFA. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Initial Purchaser has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

Each Initial Purchaser has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Bermuda

No offer or invitation may be made to the public in Bermuda to subscribe for the Notes and each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes to any person, firm or company regarded as a resident of Bermuda for exchange control purposes or in Bermuda.

British Virgin Islands

Each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes to any person resident or domiciled in the British Virgin Islands, other than a Business Company incorporated in the British Virgin Islands that is not resident in the British Virgin Islands, and the Notes will not be offered or sold, directly or indirectly, in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to another exemption from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. As used herein, the term “United States” has the meaning given to them in Regulation S.

By its purchase of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is purchasing the Notes in an offshore transaction in accordance with Regulation S;
2. represented that it is purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is outside the United States;
3. acknowledged that the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and that the Notes may not be offered or sold within the United States except in accordance with Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration;
4. agreed that it will inform each person to whom it transfers the Notes of any restrictions on the transfer of such Notes;
5. acknowledged that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represented that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agreed that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us;
6. represented that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act;
7. acknowledged that the Notes will be represented by the Global Note; and
8. acknowledged that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH

SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

You also acknowledge that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Transfer Agent, the Registrar, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. You agree that if any of the acknowledgements, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Transfer Agent, the Registrar and the Initial Purchaser. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

The Notes are expected to be assigned a rating of “B3” by Moody’s, “B-” by S&P and “B” by Fitch. We have received corporate ratings of “B” with a stable outlook from S&P, “B” with a positive outlook by Fitch and “B2” with a positive outlook by Moody’s. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of the United States federal and New York law and Hong Kong law, King & Wood Mallesons as to matters of PRC law, Conyers Dill & Pearman as to matters of Bermuda law and British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to the matters of the United States federal and New York law and JunHe LLP as to matters of PRC law.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the years ended December 31, 2015 and 2016 included in this offering memorandum has been extracted from the audited consolidated financial statements as of and for the year ended December 31, 2016, which have been audited by PricewaterhouseCoopers, independent certified public accountants, as stated in their report appearing herein. The comparative financial information of the Group for the year ended December 31, 2015 as included in the annual report for the year ended December 31, 2016 were restated, which were neither audited nor reviewed by PricewaterhouseCoopers. The audited consolidated financial statements of the Group for the year ended December 31, 2015 contains original financial information, which are not comparable with the comparative financial information for the year ended December 31, 2015 as included in the annual report for the year ended December 31, 2016. The consolidated financial statements as of and for the year ended December 31, 2017 included in this offering memorandum have been extracted from our audited consolidated financial statements as of and for the year ended December 31, 2017, which have been audited by PricewaterhouseCoopers, independent certified public accountants, as stated in their report appearing herein.

GENERAL INFORMATION

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Securities is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
The Notes	XS1807156499	180715649

Listing of the Notes

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Note is exchanged for individual definitive notes, we shall appoint and maintain a paying agent in Singapore, where the individual definitive notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global note is exchanged for individual definitive notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive notes, including the details of the paying agent in Singapore.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2016 that is material in the context of the issue of the Notes.

Consents

We have obtained all the necessary consents, approvals and authorizations in Bermuda, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantee. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated April 8, 2018.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

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Notes:

- (1) The audited consolidated financial statements for the year ended December 31, 2017 set out herein have been reproduced and page references are referred to pages set forth in such financial statements.
- (2) The audited consolidated financial statements set out herein have been reproduced from our annual report for the year ended December 31, 2016 and page references are referred to pages set forth in such annual report.

LANDSEA GREEN GROUP CO., LTD.
(Formerly known as “LANDSEA GREEN PROPERTIES CO., LTD.”)
(incorporated in Bermuda with limited liability)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Landsea Green Group Co., Ltd.
(Formerly known as “Landsea Green Properties Co., Ltd.”)
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Landsea Green Group Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 8 to 128, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statements of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Classification of Subsidiary, Joint Venture and Associate;
- Revenue recognition for development management service.

Key Audit Matter

How our audit addressed the Key Audit Matter

Classification of Subsidiary, Joint Venture and Associate

Refer to note 4(i) (Classification of subsidiary, joint venture and associate), note 16 (Interests in associates), note 17 (Interests in joint ventures) and note 38 (Disposal of subsidiaries) to the consolidated financial statements.

The Group invests in certain properties projects with various other parties under various arrangements. According to the terms of these arrangements, the Group classifies the investments into subsidiary, joint venture or associate. As of 31 December 2017, the Group had investments in 32 joint ventures and 18 associates with carrying amount of RMB 1,885.44 million and RMB 983.08 million, respectively. At the same time, the Group had 7 non-wholly owned subsidiaries with total non-controlling interest of RMB 206.12 million. For the year ended 31 December 2017, the Group recognized gain from derecognition of subsidiaries due to loss of control while retained these investments as joint ventures and associates. These gains amounted to RMB 107.19 million and RMB 178.43 million respectively; that is RMB 285.62 million in total which represents 25.33% of profit before tax.

We understood, evaluated and tested the relevant control over the Group's classification of subsidiary, joint venture and associate.

For material investments, individually or in aggregate, we challenged management's assessment and performed the following audit procedures:

We examined the legal documents associated with the investments, to determine the key terms, including rights of the investors, terms of shareholders' agreements, dispute resolution provisions, termination provisions, governance structures and profit-sharing arrangements, and assessed these key terms against the classification criteria.

When there have been subsequent changes to the shareholders' agreements or governance structures, we assessed whether these changes would impact the initial assessments by management.

Key Audit Matters(Continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Classification of Subsidiary, Joint Venture and Associate (Continued)

The classification and change of classification of the Group's investment involves significant judgement in determining the levels of control and influence based on a number of criteria. The classification has significant impact on the Group's consolidated statements of comprehensive income and consolidated balance sheet due to their effect on consolidation scope. Moreover, the reclassification from subsidiaries to associates and joint ventures has significant impact on the Group's consolidated net profit.

We, therefore, consider classification of subsidiary, joint venture and associate a Key Audit Matter.

We sought for written confirmations or communicated verbally with co-operating parties, to confirm the contract clauses and completeness of contracts and agreements we obtained and whether there are any subsequent supplementary contracts and agreements or amendments.

We assessed whether the considerations paid for acquisitions or received from disposals of investments represent the fair market value in an arm's length transactions when there was acquisition or disposal.

We evaluated the adequacy of the Group's disclosures in respect of the classification and carrying values of subsidiaries, associates, and joint ventures against the accounting standards adopted by the Group.

Based on our audit procedures performed, we consider the judgement made by management regarding the classification of subsidiary, joint venture and associate supportable by evidences we gathered.

Key Audit Matters(Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition for development management services</p> <p><i>Refer to note 2.28 (Accounting policy for revenue recognition), note 4 (vii) (Critical accounting estimates and judgement for revenue recognition for property development management services fees) and note 5 (Revenue) of consolidation financial statements.</i></p> <p><i>For the year ended 31 December 2017, the Group recorded revenue from development management services amounted to 297.47million, representing approximately 4.8% of the Group's total revenue.</i></p> <p><i>The Group provides development management services contracts for both floating and fixed fees and revenue is recognised by using the percentage of completion method. Significant accounting estimate is involved in the determination of percentage of completion, in both the cost budget and the projected sales and there is significant audit effort on revenue.</i></p> <p><i>We, therefore, consider the revenue recognition for development management services a Key Audit Matter.</i></p>	<p>We understood, evaluated and tested the controls over revenue recognition for development management services.</p> <p>We assessed if the percentage of completion used is reasonable and consistently applied. In respect of cost incurred and cost to completion, we tested actual costs incurred to supporting evidence, performed site visit to project, and agreed cost to completion to approved budgets. We compared, with hindsight, the actual costs incurred with the budget of previous years to assess the reliability of the budget.</p> <p>We assessed the reasonableness and sensitivity of management estimation for cost to completion with comparison to similar projects of the Group and actual costs variance to budget by stage.</p> <p>For estimation in respect of projected sales, we compared projected sales volume and price to similar projects and available market data including registered selling prices for transaction, and also offer prices of property nearby with similar characteristics.</p> <p>We considered the accounting estimations used in revenue recognition for development management services were supported by the evidences we gathered.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement and management and analysis (but not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, financial summary/financial review, financial highlights, breakdown of major properties, directors and senior management, report of the directors and corporate governance report which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Esmond S. C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	5	6,213,931	4,845,008
Cost of sales and services	9	(4,690,410)	(4,086,294)
Gross profit		<u>1,523,521</u>	<u>758,714</u>
Other income	7	150,704	142,681
Selling expenses	9	(119,889)	(90,115)
Administrative expenses	9	(420,235)	(288,754)
Fair value gain on an investment property	18	28,910	41,750
Other gains, net	8	11,991	392,258
Operating profit		<u>1,175,002</u>	<u>956,534</u>
Finance costs, net	10	(238,925)	(194,085)
Share of gains of associates	16	169,453	45,088
Share of gains of joint ventures	17	21,881	24,930
Profit before income tax		<u>1,127,411</u>	<u>832,467</u>
Income tax expense	11	(406,570)	(225,631)
Profit for the year		<u>720,841</u>	<u>606,836</u>
Other comprehensive income			
Translation differences which may be subsequently recycled to the profit or loss		145,300	(122,282)
Other comprehensive income for the year, net of tax		<u>145,300</u>	<u>(122,282)</u>
Total comprehensive income for the year		<u><u>866,141</u></u>	<u><u>484,554</u></u>

LANDSEA GREEN GROUP CO., LTD.**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Profit for the year attributable to:			
The shareholders of the Company		580,523	595,439
Non-controlling interests		140,318	11,397
		<u>720,841</u>	<u>606,836</u>
Total comprehensive income for the year attributable to:			
The shareholders of the Company		744,968	454,413
Non-controlling interests		121,173	30,141
		<u>866,141</u>	<u>484,554</u>
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)			
Basic earnings per share	12	0.143	0.147
Diluted earnings per share	12	0.127	0.131

The notes form an integral part of these consolidated financial statements.

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017**

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
ASSETS			
Non-current assets			
Investment property	18	319,830	290,920
Property, plant and equipment	19	656,245	21,070
Interests in associates	16	983,077	744,099
Interests in joint ventures	17	1,885,436	261,610
Other receivables, prepayments and deposits	25	181,826	425,516
Amounts due from related parties	41(a)	1,370,535	187,036
Deferred tax assets	30	237,735	153,609
Goodwill		9,460	9,460
		<hr/>	<hr/>
		5,644,144	2,093,320
		<hr/>	<hr/>
Current assets			
Properties held for sale	20	847,831	395,323
Properties under development	22	6,658,882	10,379,261
Inventories	21	52,069	23,501
Deposits for purchase of land	24	212,125	42,000
Trade receivables	23	629,462	233,270
Other receivables, prepayments and deposits	25	381,341	328,934
Amounts due from related parties	41(a)	1,559,826	818,271
Amounts due from non-controlling interests	26	571,500	558,000
Prepaid taxes		139,534	158,394
Restricted cash	27	281,952	215,722
Cash and cash equivalents	27	3,341,835	2,761,130
		<hr/>	<hr/>
		14,676,357	15,913,806
		<hr/>	<hr/>
Total assets		20,320,501	18,007,126
		<hr/> <hr/>	<hr/> <hr/>

LANDSEA GREEN GROUP CO., LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	3,254,957	4,815,351
Deferred tax liabilities	30	75,537	52,850
Amounts due to related parties	41(b)	2,714,606	1,787,112
Amounts due to non-controlling interests	31	17,217	211,492
		<u>6,062,317</u>	<u>6,866,805</u>
Current liabilities			
Creditors and accruals	28	2,001,908	1,367,759
Advanced proceeds received from customers		4,051,066	4,924,805
Amounts due to related parties	41(b)	2,044,080	325,360
Amounts due to non-controlling interests	31	18,110	-
Borrowings	29	2,174,458	1,267,990
Taxation payable		270,499	201,691
		<u>10,560,121</u>	<u>8,087,605</u>
Total liabilities		<u>16,622,438</u>	<u>14,954,410</u>
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	32	31,800	31,800
Convertible perpetual securities	34	495,425	484,204
Reserves	35	2,964,716	2,384,652
		<u>3,491,941</u>	<u>2,900,656</u>
Non-controlling interests	36	206,122	152,060
Total equity		<u>3,698,063</u>	<u>3,052,716</u>
Total liabilities and equity		<u>20,320,501</u>	<u>18,007,126</u>

The notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 8 to 128 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf.

Xiang Jiong
Director

Shen Leying
Director

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Attributable to the shareholders of the Company				Non-controlling interests (note 36) RMB'000	Total RMB'000
	Share capital RMB'000	Convertible perpetual securities (note 34) RMB'000	Reserves (note 35) RMB'000	Total RMB'000		
At 1 January 2016	26,665	110,054	1,779,746	1,916,465	40,210	1,956,675
Business combination between entities under common control	-	-	1,484	1,484	-	1,484
At 1 January 2016	26,665	110,054	1,781,230	1,917,949	40,210	1,958,159
Profit for the year	-	-	595,439	595,439	11,397	606,836
Other comprehensive income						
Exchange difference arising from translation of foreign operations	-	-	(141,026)	(141,026)	18,744	(122,282)
Total comprehensive income for the year	-	-	454,413	454,413	30,141	484,554
Issuance of shares (note 32)	5,135	-	360,943	366,078	-	366,078
Dividend	-	-	(133,934)	(133,934)	-	(133,934)
Employee share based compensation (note 33)	-	-	10,245	10,245	-	10,245
Shares held for share award scheme	-	-	1,846	1,846	-	1,846
Issuance of convertible perpetual securities (note 34)	-	363,847	-	363,847	-	363,847
Accrued distribution to holders of convertible perpetual securities (note 34)	-	18,661	(18,661)	-	-	-
Contribution from non-controlling interests	-	-	24,426	24,426	278,509	302,935
Distribution to non-controlling interests	-	-	-	-	(196,800)	(196,800)
Distributions to holders of convertible perpetual securities	-	(8,358)	-	(8,358)	-	(8,358)
Consideration paid for business combination between entities under common control	-	-	(95,856)	(95,856)	-	(95,856)
Subtotal of transaction with shareholders	5,135	374,150	149,009	528,294	81,709	610,003
At 31 December 2016	31,800	484,204	2,384,652	2,900,656	152,060	3,052,716

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Attributable to the shareholders of the Company				Non-controlling interests (note 36) RMB'000	Total RMB'000
	Share capital RMB'000	Convertible perpetual securities (note 34) RMB'000	Reserves (note 35) RMB'000	Total RMB'000		
At 1 January 2017	31,800	484,204	2,384,652	2,900,656	152,060	3,052,716
Profit for the year	-	-	580,523	580,523	140,318	720,841
Other comprehensive income						
Exchange difference arising from translation of foreign operations			164,445	164,445	(19,145)	145,300
Total comprehensive income for the year	-	-	744,968	744,968	121,173	866,141
Dividend	-	-	(138,682)	(138,682)	-	(138,682)
Shares held for share award scheme	-	-	(6,543)	(6,543)	-	(6,543)
Accrued distribution to holders of convertible perpetual securities (note 34)	-	19,679	(19,679)	-	-	-
Contribution from non-controlling interests (note 36)	-	-	-	-	24,674	24,674
Acquisition of subsidiaries (note 37)	-	-	-	-	137,010	137,010
Transaction with non-controlling interests (note 36)	-	-	-	-	(134,044)	(134,044)
Distribution to non-controlling interests (note 36)	-	-	-	-	(61,344)	(61,344)
Distributions to holders of convertible perpetual securities	-	(8,458)	-	(8,458)	-	(8,458)
Deemed disposal of subsidiaries (note 38)	-	-	-	-	(33,407)	(33,407)
Subtotal of transaction with shareholders	-	11,221	(164,904)	(153,683)	(67,111)	(220,794)
At 31 December 2017	31,800	495,425	2,964,716	3,491,941	206,122	3,698,063

The notes form an integral part of these consolidated financial statements.

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Cash flows from operating activities			
Net cash generated in operations	40	1,448,120	2,411,562
Tax paid		(401,092)	(384,910)
Interest paid		(415,030)	(233,477)
		<hr/>	<hr/>
<i>Net cash generated from operating activities</i>		631,998	1,793,175
Cash flows from investing activities			
Payment for acquisition of subsidiaries	25,37	(1,946,561)	(1,685,994)
Capital injection in joint ventures		(1,000,444)	(124,573)
Capital injection in associates		(12,138)	(324,681)
Purchases of property, plant and equipment		(646,760)	(19,323)
Proceeds from disposal of property, plant and equipment		21	94
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	38	776,199	312,559
Proceeds from disposal of joint ventures		24,850	-
Lendings to third parties		(93,460)	(338,320)
Interest received		10,120	14,700
Funding to related parties	41(e)	(324,319)	-
Collection of funding to related parties	41(e)	1,278,253	1,421,028
Dividend from associates		72,000	-
Advance to non-controlling interests		(13,500)	(558,000)
		<hr/>	<hr/>
<i>Net cash used in investing activities</i>		(1,875,739)	(1,302,510)

LANDSEA GREEN GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Cash flows from financing activities			
Proceeds from borrowings	40(b)	2,887,033	4,579,687
Proceeds from related parties	41(e)	2,080,044	1,533,593
Repayment of borrowings	40(b)	(2,319,051)	(4,982,988)
Repayment of amounts due to non-controlling interests		(110,651)	(286,754)
Repayment to related parties	41(e)	(453,230)	-
Interest paid		-	(231,743)
Contribution from non-controlling interests	36	24,674	305,802
Funding from non-controlling interests		17,813	453,232
Dividends paid to shareholders of the Company		(138,682)	(133,934)
Distribution to non-controlling interests	36	(61,344)	(196,800)
Issuance of ordinary shares, net of issuance cost		-	(2,714)
Acquisition of additional interest in a subsidiary		(81,900)	-
Distributions to holders of convertible perpetual securities		(8,458)	(8,358)
Increase in restricted cash		(40,833)	(41,459)
<i>Net cash generated from financing activities</i>		1,795,415	987,564
Net increase in cash and cash equivalents		551,674	1,478,229
Cash and cash equivalents at 1 January		2,761,130	1,262,269
Effect of foreign exchange rate changes		29,031	20,632
Cash and cash equivalents at 31 December	27	3,341,835	2,761,130

The notes form an integral part of these consolidated financial statements.

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 General information

Landsea Green Group Co., Ltd. (formerly known as: Landsea Green Properties Co., Ltd., the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The Company changed its name from Landsea Green Properties Co., Ltd to Landsea Green Group Co., Ltd as approved by the Special General Meeting on 28 February 2018. The addresses of its registered office and principal place of business are disclosed in the corporate information to the annual report. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“SEHK”).

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. The Company and its subsidiaries are referred to as the “Group” hereinafter. The Group is principally engaged in property investment and property development and sales.

In the opinion of the directors, the ultimate holding company of the Company is 朗詩集團股份有限公司 (Landsea Group Co., Ltd.), a company established in the People’s Republic of China (the “PRC”).

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”) and were approved for issue by the board of directors on 28 March 2018.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property which is carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12, and
- Disclosure initiative – amendments to HKAS 7.

The adoption of these amendments did not have any significant impact on the amounts recognized in prior periods. Most of the amendments will also not affect the current periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 40.

(iv) New standards and interpretations not yet adopted

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments which are relevant to the Group's operations but are not yet effective and have not been early adopted by the Group:

Standards/Amendments		Effective for annual periods beginning on or after	note
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018	
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	
HKFRS 15	Revenue from Contracts with Customers	1 January 2018	(a)
HKFRS 9	Financial Instruments	1 January 2018	(b)
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018 or when the entity first applies HKFRS 9	
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018	
Annual Improvements	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018	
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	
HKFRS 16	Leases	1 January 2019	(c)
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019	
HKFRS 17	Insurance Contracts	1 January 2021	
Amendment to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

The Group has already commenced an assessment of the impact of these new standards or amendments, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 15, HKFRS 9 and HKFRS 16.

(a) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

When control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

(a) HKFRS 15 Revenue from Contracts with Customers (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

Revenue for certain pre-sale properties contracts may be changed and recognised earlier over the period of time, instead of at a single point in time under the current accounting policy.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit or loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.
- Presentation of contract assets and liabilities. Reclassification shall be made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

Based on the preliminary assessment, it will have some impact on the Groups's financial position and result of operations upon the adoption HKFRS 15 on 1 January 2018.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

(b) HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

While the Group has yet to undertake a detailed assessment, there will be no significant impact on the Group's classification for financial assets and liabilities. As the Group expects that its financial assets and liabilities currently measured at amortised cost will continue with their respective classification and measurements. And the Group does not hold any financial assets currently classified as available-for-sale (AFS), financial assets currently measured at fair value through profit or loss or financial liabilities currently measured at fair value through profit or loss.

The Group expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

- (c) HKFRS 16 “Leases”. The Group is the lessee of certain buildings which are currently classified as operating lease. The Group’s current accounting policy for such leases is set out in Note 2.32 with the Group’s future operating lease commitments, which are not reflected in the consolidated statement of financial position, set out in Note 39. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group’s consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in right of use assets and an increase in financial liabilities in the consolidated statement of financial position. In the statement of profit or loss, as a result, the operating expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase.

The Group consider that the adoption of the new standard will have some impact on the financial position of the Group as the related right-of-use assets and lease liabilities will be recognised upon adoption of the new standard on 1 January 2019. However, the impact to the financial performance of the Group will not be significant as the impact of amortisation of the right-of-use assets and unwinding the discount of the related payable will not be materially different from the operating lease charges that would have been recognised under the current standard.

The Group does not intend to adopt the above standards before their respective effective date.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.7).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see note 2.5 below), after initially being recognised at cost.

2.4 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method (see note 2.5 below), after initially being recognised at cost in the consolidated balance sheet.

2.5 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.14.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.6 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity shareholders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to shareholders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.7 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- liabilities incurred to the former shareholders of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.7 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.8 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business and service lines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which is Hong Kong dollars (HK\$), Renmingbi (RMB) and US dollars (USD) respectively. The consolidated financial statements are presented in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within “Other gains/(losses) – net”.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in exchange revenue.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to the profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost of property, plant and equipment to their residual values using the straight-line method over their estimated useful lives:

Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	3-10 years
Motor vehicles	5-10 years
Buildings	20 years

The assets' residual value and useful life are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.14).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "Other gains/(losses) – net" in the consolidated statement of comprehensive income.

2.12 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income in fair value gains or losses on investment properties.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.13 Goodwill

Goodwill is measured as described in note 2.14. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

2.14 Impairment of non-financial assets

Goodwill is not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Properties held or under development for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of leasehold land payments, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.17 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the balance sheet date. These are classified as non-current assets. The Group's loans and receivables also include trade and other receivables, amounts due from related parties and non-controlling interests and cash and cash equivalents in the consolidated balance sheet.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.17 Investments and other financial assets(Continued)

(iii) Impairment of financial assets(Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously

2.19 Trade and other receivables

Trade receivables are amounts due from customers arising from sales of properties or providing management and development service. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.17 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.20 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash is excluded from cash and cash equivalents.

2.21 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

2.22 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within twelve months after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.23 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.24 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax also includes PRC land appreciation tax which is levied on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.24 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.25 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group participates in defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group's contributions to the defined contribution plans are expensed as incurred and, in most cases, are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Restricted share award scheme

The Group operates a restricted share award scheme to recognise the contributions by employees. The fair value of the employee services received in exchange for the grant of restricted share is recognised as employee benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the value of the restricted shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of restricted share awards that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to other reserve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.25 Employee benefits (Continued)

(iv) Restricted share award scheme (Continued)

Employee share trust is established, for the purposes of awarding shares to eligible employees under the restricted share award scheme.

The employee share trust is administered by an independent trustee and is funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trust buys the Company's shares in the open market for award to employees.

Upon vesting, the corresponding awards in the share-based compensation reserve will be transferred to the employee share trust for shares awarded to employees.

2.26 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the consolidated balance sheets when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue from sale of properties and lands held for sale in the ordinary course of business is recognised when all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the properties, which is when the construction of relevant properties has been completed, upon delivery, and collectability of related receivables is reasonably assured;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated balance sheet under current liabilities.

Revenue from sales of land improvements is recognised by using the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The percentage of completion is established by reference to the costs incurred to date compared to the total costs to be incurred under the transaction. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as trade receivables. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount advanced proceeds received from customers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.28 Revenue recognition (Continued)

The Group provides property management services to its customers which including brand authorisation service, sales management service, green product integration service and development management services. The Group recognizes revenue on different types of service by reference to the service's stage of completion at the balance sheet date when the outcome of the rendering of services can be estimated reliably:

- Revenue from brand authorisation, sales management service and green-technical system integration service fees is recognised in accounting period in which the services are rendered.
- Revenue from development management services associated with both floating and fixed fees is recognised by using the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The percentage of completion is established by reference to the costs incurred to date compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as trade receivables. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount advanced proceeds received from customers .

Rental income under operating leases is recognised on a straight-line method over the term of the relevant lease.

Decoration service income is recognised when the related services are provided.

2.29 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.30 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognised as income of the period in which they become receivable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.32 Leases

The Group leases certain properties. Leases of properties where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 39). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.33 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Respective distributions if and when declared are treated as equity dividends.

Convertible perpetual securities issued by the Group that have the above characteristics are classified as equity instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.34 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

3 Financial risk management

3.1 Financial risk factors

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk, which result from its operating, investing and financing activities. According to the Group's risk management policies, the financial risks shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Market risk

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates and invests in Hong Kong, United States ("US") and the PRC with most of the transaction denominated and settled in HK\$, US\$ and RMB respectively. Foreign exchange risk mainly arises from certain borrowings and other current liabilities of the Company (with functional currency of HK\$) and the companies located in US (with functional currency of US\$) which are denominated in RMB.

At 31 December 2017, if RMB had weakened/strengthened by 5% against HK\$ and US\$ with all other variables held constant, pre-tax profit for the year would have been approximately RMB215,142,000 (2016 : RMB203,870,000) higher/lower, mainly as a result of foreign exchange differences on translation of RMB denominated borrowings and inter-group loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group has no significant interest-bearing assets and liabilities other than bank deposits and borrowings. Bank balances and borrowings at floating rates expose the Group to cash flow interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to bank balances which bear floating interest rates. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

At 31 December 2017, if interest rates on bank balances and borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's bank interest income and profit for the year would have been approximately RMB7,240,000(2016:RMB17,157,000) lower/higher. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group mainly arises from bank balances and deposits, trade and other receivables and amounts due from related parties and non-controlling interests. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on Group's cash and cash equivalents is limited because the counterparties are banks with high credit ratings. In respect of trade and other receivables and amounts due from related parties, individual credit evaluations are performed on all debtors. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The Group does not obtain collateral from customers or counterparties in respect of receivable.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and re-sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced. Detailed disclosure of these guarantees is made in note 42.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for the payments for property development projects and operating expenses. The Group finances its working capital requirements mainly through internal resources and borrowings from shareholders and banks.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirement in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay as of 31 December 2017.

	Less than 1 year or repayable on demand RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
At 31 December 2017				
Creditors and accruals	1,715,606	-	-	1,715,606
Amounts due to non-controlling interests and interest thereon	20,176	19,283	-	39,459
Amounts due to related parties and interest thereon	2,120,416	502,153	2,291,850	4,914,419
Borrowings and interest thereon	<u>2,495,178</u>	<u>362,004</u>	<u>3,175,999</u>	<u>6,033,181</u>
At 31 December 2016				
Creditors and accruals	1,185,656	-	-	1,185,656
Amounts due to non-controlling interests and interest thereon	23,449	23,449	227,985	274,883
Amounts due to related parties and interests thereon	344,326	361,182	1,431,930	2,137,438
Borrowings and interest thereon	<u>1,612,466</u>	<u>2,241,241</u>	<u>3,069,142</u>	<u>6,922,849</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3 Financial risk management (Continued)

3.2 Fair value estimation

Below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's investment property is recognised under level 3 of the fair value hierarchy and details of the valuation are disclosed in note 18.

The carrying amounts of the Group's current financial assets and financial liabilities approximate their fair values due to their short maturities.

3.3 Capital risk management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or obtain borrowings.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash pledged for the Group's borrowing. Total capital is calculated as net debt plus total equity as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Borrowings (note 29)	5,429,415	6,083,341
Less: Cash and cash equivalents (note 27)	(3,341,835)	(2,761,130)
Restricted cash (note 27)	(129,290)	(215,722)
Net debt	<u>1,958,290</u>	<u>3,106,489</u>
Total equity	<u>3,698,063</u>	<u>3,052,716</u>
Total capital	<u>5,656,353</u>	<u>6,159,205</u>
Gearing ratio	<u>34%</u>	<u>50%</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3 Financial risk management (Continued)

3.3 Capital risk management (Continued)

Restricted cash was pledged as securities for certain bank borrowings and mortgage facilities of the Group and management considers that such restricted cash should be included in the calculation of net debt in order to reflect an appropriate gearing ratio of the Group.

4 Critical accounting estimates and judgement

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Classification of subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is subsidiary, joint venture or associate of the Group. The Group makes judgement based on the substance of the arrangements and the definition of subsidiary, joint venture and associate as disclosed in Notes 2.2, 2.3 and 2.4.

(ii) Estimated fair value of investment property

The Group's investment property is stated at fair value which is determined by an independent professional valuer. Such valuation is made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

(iii) Net realisable value of inventory, properties held for sale and under development

Management determines the net realisable value of inventory, properties held for sale and under development by using prevailing market data such as most recent sale transactions. Such assessment is made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4 Critical accounting estimates and judgement (Continued)

(iv) Income taxes and deferred tax

The Group is subject to income taxes in Hong Kong, US and the PRC. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(v) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(vi) Impairment of interests in associates and joint ventures

The Group follows the guidance of HKAS 39 to identify any impairment indicator for interests in associate and joint ventures. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(vii) Revenue recognition for development management services fees

The Group uses the percentage-of-completion method in the accounting of development management service contract. Use of the percentage-of-completion method requires the Group to estimate the total contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract. While for the contracts with the floating fees, besides the determination of percentage of completion, significant accounting estimates is also involved in the determination of projected sales. The total revenue recognised could be different from the amounts that were initially recorded, and these differences will impact the revenue in the periods in which such target properties are delivered to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4 Critical accounting estimates and judgement (Continued)

(viii) Revenue recognition for sales of land improvements

The Group uses the percentage-of-completion method in the accounting for sales of land improvements. Use of the percentage-of-completion method requires the Group to estimate the total contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract.

5 Revenue

Revenue recognized during the year is as follows:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Sale of properties and lands in	5,379,563	4,121,233
- The PRC	4,048,718	3,834,225
- The USA	1,330,845	287,008
Management services fee income (i)	753,225	623,171
Rental and management fee on investment property	26,548	26,463
Long-term rental apartment income	8,282	-
Decoration service income	46,313	74,141
	<u>6,213,931</u>	<u>4,845,008</u>

(i) Breakdown of the revenue from management services is as follows:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue from development management services	297,472	269,056
Revenue from sales management services	281,572	229,566
Revenue from green product integration services	152,775	83,280
Revenue from brand authorisation services	21,406	41,269
	<u>753,225</u>	<u>623,171</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as these consolidated financial statements.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from services perspective and have identified the following operating segments:

- (i) Investment property office ;
- (ii) Property and land development and sale;
- (iii) Management services; and
- (iv) Long-term rental apartments

The Group established the long-term rental apartment business in 2017. To better measure the performance, a separate segment is reported.

The executive directors assess the performance of the reportable segments based on a measure of revenue and segment profit. Segment profit includes profits from subsidiaries, share of profits of joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, interest income on bank deposits, corporate expenses and corporate finance costs charged in the consolidated statement of comprehensive income. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	For the year ended 31 December 2017				
	<u>Investment property office</u>	<u>Property and land development and sale</u>	<u>Management services</u>	<u>Long-term rental apartments</u>	<u>Total</u>
	MB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue (external)	26,548	5,425,876	753,225	8,282	6,213,931
Reportable segment profit	45,511	1,113,465	410,885	(44,170)	1,525,691
Depreciation of property, plant and equipment	(3)	(9,374)	(1,739)	(142)	(11,258)
Fair value gain on investment properties	28,910	-	-	-	28,910
Share of gains of associates		169,453	-	-	169,453
Share of gains of joint ventures		21,881	-	-	21,881
Segment assets	349,941	17,140,908	2,526,845	302,807	20,320,501
Segment liabilities	83,313	15,772,957	662,542	103,626	16,622,438
Interests in joint ventures and associates	-	2,868,513	-	-	2,868,513
Additions to non-current assets(excluding financial assets)	28,925	220,746	13,814	156,910	420,395

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6 Segment information (Continued)

	For the year ended 31 December 2016				Total RMB'000
	<u>Investment property office</u> RMB'000	<u>Property and land development and sale</u> RMB'000	<u>Management services</u> RMB'000	<u>Long-term rental apartments</u> RMB'000	
Segment revenue (external)	26,463	4,195,374	623,171	-	4,845,008
Reportable segment profit	58,433	557,601	389,174	-	1,005,208
Depreciation of property, plant and equipment	(3)	(11,314)	(1,100)	-	(12,417)
Fair value gain on investment properties	41,750	-	-	-	41,750
Share of gains of associates	-	45,088	-	-	45,088
Share of gains of joint ventures	-	24,930	-	-	24,930
Finance costs	-	(81,823)	-	-	(81,823)
Segment assets	309,069	15,238,363	2,459,694	-	18,007,126
Segment liabilities	58,122	14,293,919	390,877	-	14,742,918
Additions to non-current assets	41,760	683,348	406,903	-	1,132,011

Reconciliations of segment profit to profit before income tax are as follows:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Segment profit	1,525,691	1,005,208
Bank interest income	10,120	14,700
Gains/(losses) on disposal of property, plant and equipment	(2)	56
Unallocated corporate income	101	120
Unallocated corporate expenses	(408,499)	(187,617)
Profit before income tax	1,127,411	832,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6 Segment information (Continued)

Reconciliations of segment assets/liabilities to total assets/liabilities are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Segment assets	20,320,501	18,007,126
Unallocated assets	-	-
	<u> </u>	<u> </u>
Total assets	<u>20,320,501</u>	<u>18,007,126</u>

	31 December 2017 RMB'000	31 December 2016 RMB'000
Segment liabilities	16,622,438	14,742,918
Unallocated liabilities	-	211,492
	<u> </u>	<u> </u>
Total liabilities	<u>16,622,438</u>	<u>14,954,410</u>

The Group does not have any single customer which contributes more than 10% of the Group's revenue.

Unallocated expenses mainly represent corporate expenses such as finance costs and administrative expenses. Unallocated income mainly represents sundry income.

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
Mainland China	4,863,089	4,530,170	5,064,967	1,823,786
The USA	1,350,842	314,838	578,475	133,930
Hong Kong (domicile)	-	-	702	135,604
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>6,213,931</u>	<u>4,845,008</u>	<u>5,644,144</u>	<u>2,093,320</u>

The revenue information above is based on the location of the customers. Non-current assets information above is based on the location of the assets.

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****7 Other income**

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Interest income from amounts due from joint ventures and associates (note 41)	105,402	95,064
Interest income from non-controlling interests	23,764	-
Interest income from loan to third parties and deposit paid for acquisition of an associate (note 25)	13,362	22,117
Bank interest income	-	14,700
Government grants	5,083	7,785
Interest income from financial products	2,575	-
Sundry income	518	3,015
	<u>150,704</u>	<u>142,681</u>

8 Other gains, net

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Gain on disposal of subsidiaries (note 38)	285,619	165,304
Gain on disposal of a joint venture	608	-
Gain/(loss) on disposal of property, plant and equipment	(2)	56
Net exchange (losses)/gains	(270,320)	226,898
Others	(3,914)	-
	<u>11,991</u>	<u>392,258</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9 Expenses by nature

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Employee benefit expenses		
Directors' remuneration (note 14)		
- fees	900	1,028
- salaries and allowances	15,324	13,171
- retirement benefit scheme contributions	355	329
- restricted share award (note 33(b))	-	3,745
	<hr/>	<hr/>
	16,579	18,273
Other staff costs		
- wages, salaries and allowances	218,675	205,208
- retirement benefit scheme contributions	18,682	17,582
- other staff benefit	15,875	18,386
- restricted share award (note 33(b))	-	6,500
	<hr/>	<hr/>
	253,232	247,676
Cost of sale of properties and lands in		
- The PRC	3,350,368	3,499,633
- The USA	1,183,222	291,236
Other taxes	134,327	198,766
Advertising and promotion expenses	72,133	42,337
Rental expense for office buildings	35,904	15,294
Rental expense for long-term rental apartments	11,543	-
Subcontracting fee	28,205	18,781
Legal fees	12,433	17,076
Professional fee	12,783	7,043
Depreciation of property, plant and equipment (note 19)	11,258	12,417
Stamp duty	5,746	9,365
Operating costs in respect of investment property	5,700	6,378
Decoration materials used (note 21)	4,788	19,856
Provision for impairment of trade receivables (note 23)	2,783	2,138
Auditor's remuneration		
- Audit services	1,298	985
- Non-audit services	864	343
Provision of impairment losses on completed properties held for sale (note 20)	1,032	2,157
Others(i)	86,336	55,409
	<hr/>	<hr/>
Total	5,230,534	4,465,163
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales and services	4,690,410	4,086,294
Administrative expenses	420,235	288,754
Selling expenses	119,889	90,115
	<hr/>	<hr/>
	5,230,534	4,465,163
	<hr/> <hr/>	<hr/> <hr/>

(i) Others include subsidiaries' statutory and non-statutory audit fee of RMB3,727,000 to their respective auditors.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10 Finance costs

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Interest expense	526,813	571,684
-Bank borrowings	151,084	269,212
-Loans from the ultimate holding company(note 41)	126,888	100,296
-Senior private notes (in USD)	78,195	149,743
-EB-5 loans (in USD)	21,626	5,950
-Loan from other financial institutes (in USD)	18,062	-
-Junior private notes(in USD)	14,942	16,778
-Interest expense on amount due to related parties(note 41)	99,275	29,705
-Sell and buy-back arrangement (in USD)(note 22)	9,733	-
-Discounted bank accepted note (in RMB)	4,380	-
-Loans from non-controlling interest	2,628	-
Less: Interest capitalised	(285,286)	(387,817)
	<u>241,527</u>	<u>183,867</u>
Finance income	(10,120)	-
-bank interest income	(10,120)	-
Other finance charges	7,518	10,218
	<u>238,925</u>	<u>194,085</u>

The interest capitalization rate in 2017 is 6.5% (2016: 6.9%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11 Income tax expense

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Current tax		
- Hong Kong profits tax		
Tax expense for the year	1,770	-
Over-provision in prior years	-	(1,832)
- PRC enterprise income tax		
Tax expense for the year	383,903	266,544
- US profit tax		
Tax expense for the year	-	170
	<u>385,673</u>	<u>264,882</u>
PRC land appreciation tax	103,087	16,884
Deferred tax (note 30)	(82,190)	(56,135)
Total income tax expense	<u><u>406,570</u></u>	<u><u>225,631</u></u>

- (i) Hong Kong profits tax has been provided at 16.5% (2016: 16.5%) on the assessable profits arising in Hong Kong for the year.
- (ii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the applicable tax rate of the PRC subsidiaries is 25%, except for Landsea Design which enjoys a preferential income tax rate of 15% as approved by relevant tax authorities.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of leasehold lands, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

At of 31 December 2017, the Group has unused tax losses RMB 31,298,000 (2016: RMB41,029,000) available for offset against future profits for certain entities in PRC which have not been recognised due to the unpredictability of future profit streams. The tax losses would expire within five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11 Income tax expense(Continued)

- (ii) The EIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 31 December 2017 will not be distributed in the foreseeable future. No PRC withholding income tax was accrued during the year ended 31 December 2017. The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings will not be distributed in the foreseeable future.

As at 31 December 2017, the Group did not recognize deferred income tax liability for PRC withholding income tax with amount of RMB 259,722,000(2016:RMB 149,828,000) on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB 2,597,218,000(2016:RMB 1,498,283,000), as the directors of the Company had confirmed that the retained earnings as at 31 December 2017 will not be distributed in the foreseeable future.

- (iii) Under the law of the US on Federal tax and state tax, the blended tax rate of the US's subsidiaries is 39.87%. US profit tax is provided for at 39.87% of the profits for the US statutory financial reporting purpose, adjusted for those items which are not assessable or deductible.(The Tax Cuts and Jobs Act was passed on December 22, 2017, which reduced the corporate tax rate from 35% to 21%, and the new 21% tax rate is effective for tax years beginning after December 31, 2017.)
- (iv) The Company incurred a loss of RMB 232,789,000 in year 2017. No deffered tax assets was recognized on the loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 Income tax expense (Continued)

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

Reconciliation between profit before income tax and income tax expense is as follows:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Profit before income tax	1,127,411	832,467
PRC land appreciation tax	(103,087)	(16,884)
	<u>1,024,324</u>	<u>815,583</u>
Tax on profit before income tax, calculated at the statutory rate of 25% (2016: 25%)	256,081	203,896
Effect of different tax rates of group companies operating in other jurisdictions	(248)	2,156
Tax effect of non-taxable income(i)	(50,953)	(44,292)
Tax effect of non-deductible expenses	29,175	39,832
Tax effect of unrecognized tax losses(ii)	52,900	7,119
Over-provision in prior years	-	(1,832)
Others(iii)	16,528	1,868
	<u>303,483</u>	<u>208,747</u>
Total	303,483	208,747
PRC land appreciation tax	103,087	16,884
	<u>406,570</u>	<u>225,631</u>
Income tax expenses	406,570	225,631

(i) Non-taxables income are mainly share of gains of associates and joint ventures.

(ii) Unrecognized tax losses mainly represent loss of the Company (note11(iv)).

(iii) Others mainly represent tax effect of realization of unrecognized temporary difference in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Profit attributable to shareholders of the Company	580,523	595,439
Accrued distribution of the convertible perpetual Securities (note 34)	(19,679)	(18,661)
Profit used to determine basic earnings per share	<u>560,844</u>	<u>576,778</u>
Weighted average number of ordinary shares in issue (thousands)	<u>3,917,571</u>	<u>3,917,571</u>
Earnings per share (expressed in RMB per share)	<u>0.143</u>	<u>0.147</u>

(ii) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: convertible perpetual securities. The convertible perpetual securities are assumed to have been converted into ordinary shares.

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Profit attributable to shareholders of the Company	<u>580,523</u>	<u>595,439</u>
Weighted average number of ordinary shares in issue (thousands)	3,917,571	3,917,571
Adjustment for: – Assumed conversion of convertible perpetual securities (thousands)	<u>660,530</u>	<u>611,126</u>
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>4,578,101</u>	<u>4,528,697</u>
Diluted earnings per share (expressed in RMB per share)	<u>0.127</u>	<u>0.131</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13 Dividend

	For the year ended 31 December 2017 RMB' 000	For the year ended 31 December 2016 RMB' 000
(i) Final dividend for the year ended 31 December 2016 of RMB3.54 cents (2015: RMB3.4 cents) per fully paid share	138,682	133,934
(ii) Dividend of convertible perpetual securities	19,679	18,661
	For the year ended 31 December 2017 RMB' 000	For the year ended 31 December 2016 RMB' 000
Proposed distribution of final dividend out of contributed surplus account of RMB 3.54 cents (equivalent to HK cents 4.42) (2016: RMB3.54 cents (equivalent to HK cents 4)) per ordinary share	138,682	138,682

A final dividend relating to the year ended 31 December 2016 amounted to RMB138,682,000 was fully paid on 3 July 2017.

The Board proposed to make a distribution out of contributed surplus account of RMB3.54 cents (equivalent to HK cents 4.42) (2016: RMB3.54 cents (equivalent to HK cents 4)) per ordinary share amounting to a total of RMB 138,682,000. The proposed distribution is based on 3,917,570,961(2016: 3,917,570,961) shares issued as at 28 March 2018. The proposed final dividend is not reflected as a dividend payable as of 31 December 2017, but will be recorded as a distribution for the year ending 31 December 2018.

The proposed distribution out of contributed surplus account is subject to the passing of an ordinary resolution for approving the distribution of final dividend out by the shareholders at the annual general meeting of the Company to be held on 28 May 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14 Benefits and interests of directors

(i) Directors' emoluments

The remuneration of each director is set out below:

For the year ended 31 December 2017:

	Fees RMB'000	Salaries, allowances and bonus RMB'000	Contribution to retirement and other benefits RMB'000	Restricted share award RMB'000	Total RMB'000
For the year ended 31 December 2017					
Executive directors					
Tian Ming	-	4,504	69	-	4,573
Xiang Jiong	-	2,994	75	-	3,069
Shen Leying	-	3,041	98	-	3,139
Xie Yuanjian	-	2,646	75	-	2,721
Zhou Qin	-	2,139	38	-	2,177
Independent non-executive directors					
Xu Xiaonian	300	-	-	-	300
Ding Yuan	300	-	-	-	300
Lee Kwan Hung	300	-	-	-	300
Non-executive directors					
Zhou Yimin	-	-	-	-	-
	900	15,324	355	-	16,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14 Benefits and interests of directors (Continued)

(i) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and bonus RMB'000	Contribution to retirement and other benefits RMB'000	Restricted share award RMB'000	Total RMB'000
For the year ended 31 December 2016					
Executive directors					
Tian Ming	-	4,028	15	988	5,031
Xiang Jiong	-	2,948	70	988	4,006
Shen Leying	-	2,886	100	677	3,663
Xie Yuanjian	-	2,543	58	572	3,173
Zhou Qin	257	766	86	520	1,629
Independent non-executive directors					
Xu Xiaonian	257	-	-	-	257
Ding Yuan	257	-	-	-	257
Lee Kwan Hung	257	-	-	-	257
Non-executive director					
Zhou Yimin	-	-	-	-	-
	1,028	13,171	329	3,745	18,273
	1,028	13,171	329	3,745	18,273

(ii) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2016: Ditto).

(iii) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Ditto).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2016: Ditto).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14 Benefits and interests of directors (Continued)

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

15 Five highest paid individuals and senior management's emolument

The five individuals whose emoluments were the highest in the Group for the year included three existing (2016: four) directors whose emoluments are reflected in the analysis presented in note 14.

The emoluments of the remaining two (2016: One) individuals during the year ended 31 December 2017 and 2016 were as follows:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Basic salaries, allowances and bonus	9,788	2,874
Contribution to retirement benefits schemes	148	67
Restricted share award	-	530
	<u>9,936</u>	<u>3,471</u>

The number of employees whose remuneration fee within the following band was as follows:

	Numbers of individuals 2017	Numbers of individuals 2016
RMB3,000,000 to RMB4,000,000	-	1
RMB4,000,000 to RMB5,000,000	1	-
RMB5,000,000 to RMB6,000,000	1	-
	<u>2</u>	<u>1</u>

The senior management's emoluments(excluding the five highest paid individuals and directors) during the year ended 31 December 2017 and 2016 fell within the following bands:

	Numbers of individuals 2017 RMB'000	Numbers of individuals 2016 RMB'000
RMB0 to RMB1,000,000	1	1
RMB1,000,000 to RMB2,000,000	9	3
RMB2,000,000 to RMB3,000,000	1	3
RMB3,000,000 to RMB4,000,000	-	1
	<u>11</u>	<u>6</u>

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16 Interests in associates

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	<u>983,077</u>	<u>744,099</u>

Set out below are the associates of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business/ country of incorporation	% of ownership interest		Measurement method	Carrying amount	
		31 December 2017	31 December 2016		31 December 2017	31 December 2016
Nanjing Xueheng Properties Co.,Ltd	the RPC	49.90	49.90	Equity method	305,877	322,607
Nanjing Aojian Properties Co.,Ltd	the RPC	12.97	12.97	Equity method	225,123	232,656
Chengdu Chengfeng Enterprise Management and Consultant Limited(note 38)	the RPC	33.00	100.00	Equity method	214,389	-
Immaterial associates (iii) below					<u>237,688</u>	<u>188,836</u>
Total interests in associates					<u>983,077</u>	<u>744,099</u>

(i) Proportional commitments and contingent liabilities in respect of associates

	31 December 2017 RMB'000	31 December 2016 RMB'000
Commitments – associates		
- lease commitment	9	-
- capital commitment	<u>135,443</u>	<u>-</u>

(ii) Summarised financial information for associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not Landsea Green Group Co., Ltd's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16 Interests in associates (Continued)

(ii) Summarised financial information for associates (Continued)

	Nanjing Aojian Properties Co.,Ltd		Nanjing Xueheng Properties Co.,Ltd		Chengdu Chengfeng Enterprise Management and Consultant Limited
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Cash and cash equivalents	976,803	1,059,896	1,027,249	691,917	802,316
Other current assets	5,360,060	6,040,956	4,808,783	3,082,663	2,577,482
Total current assets	6,336,863	7,100,852	5,836,032	3,774,580	3,379,798
Non-current assets	7,468	21,532	17,467	11,474	55,467
Current liabilities					
Other current liabilities	(4,378,232)	(4,403,657)	(5,205,934)	(3,020,255)	(1,652,506)
Total current liabilities	(4,378,232)	(4,403,657)	(5,205,934)	(3,020,255)	(1,652,506)
Non-current liabilities					
Financial liabilities (excluding trade payables)	-	(800,000)	-	(100,000)	(1,069,440)
Total non-current liabilities	-	(800,000)	-	(100,000)	(1,069,440)
Net assets	1,966,099	1,918,727	647,565	665,799	713,319
Group's share in %	12.97%	12.97%	49.90%	49.90%	33.00%
Group's share	255,003	248,859	323,135	332,233	235,395
Adjustment	(29,880)	(16,203)	(17,258)	(9,626)	(21,006)
Carrying amount	225,123	232,656	305,877	322,607	214,389
Revenue	-	-	-	-	-
Income tax expense	4,058	-	6,041	9,539	27,594
Loss for the year	(12,175)	(23,911)	(18,233)	(28,727)	(82,512)
Group's share	(1,579)	(3,101)	(9,098)	(14,335)	(27,229)

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16 Interests in associates (Continued)

(iii) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	31 December 2017 RMB'000	31 December 2016 RMB'000
Aggregate carrying amount of individually immaterial associates	<u>237,688</u>	<u>188,836</u>
	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Aggregate amounts of the Group's share of Profit	<u>207,359</u>	<u>62,524</u>

17 Interests in joint ventures

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	<u>1,885,436</u>	<u>261,610</u>

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 Interests in joint ventures (Continued)

Set out below are joint ventures of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business/ country of incorporation	% of ownership interest		Measurement method	Carrying amount	
		31 December 2017	31 December 2016		31 December 2017	31 December 2016
		Zhongcheng Qiannian Investment Company (Limited Partnership)*	the RPC		50.00	-
Jiaxin Langda II Investment Company (Limited Partnership)*	the RPC	29.98	-	Equity method	513,446	-
LS-NJ Port Imperial JV LLC(note 38)	the USA	51.00	100.00	Equity method	363,980	-
Immaterial joint ventures (iii) below					672,079	261,610
Total interests in joint ventures					1,885,436	261,610

* These companies were incorporated in the year of 2017.

(i) Proportional commitments and contingent liabilities in respect of joint ventures

	31 December 2017 RMB'000	31 December 2016 RMB'000
Commitments – joint ventures		
- capital commitment	249,011	-
- lease commitment	1,184	1,153
	<u>249,011</u>	<u>1,153</u>

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17 Interests in joint ventures (Continued)

(ii) Summarised financial information for joint ventures (Continued)

	Zhongcheng Qiannian Investment Company (Limited Partnership) 31 December 2017 RMB'000	Jiaxin Langda II Investment Company (Limited Partnership) 31 December 2017 RMB'000	LS-NJ Port Imperial JV LLC 31 December 2017 RMB'000
Current assets			
Cash and cash equivalents	17,830	17,431	101,418
Other current assets	629,320	1,600,550	1,123,859
Total current assets	647,150	1,617,981	1,225,277
Non-current assets	24,850	94,642	10,180
Current liabilities			
Other current liabilities	(139)	-	(127,840)
Total current liabilities	(139)	-	(127,840)
Non-current liabilities			
Financial liabilities (excluding trade payables)	-	-	(409,997)
Other non-current liabilities	-	-	(2,078)
Total non-current liabilities	-	-	(412,075)
Net assets	671,861	1,712,623	695,542
Group's share in %	50.00%	29.98%	51.00%
Group's share	335,931	513,444	354,726
Adjustment	-	2	9,254
Carrying amount	335,931	513,446	363,980
Revenue	-	-	-
Income tax expense	-	888	-
Loss for the year	(139)	(2,663)	(4,801)
Group's share	(70)	(798)	(2,449)

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17 Interests in joint ventures (Continued)

(iii) Individually immaterial joint ventures

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	31 December 2017 RMB'000	31 December 2016 RMB'000
Aggregate carrying amount of individually immaterial joint ventures	672,079	261,610
	<u>672,079</u>	<u>261,610</u>
	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Aggregate amounts of the Group's share of Profit	25,198	24,930
	<u>25,198</u>	<u>24,930</u>

18 Investment property

As at 31 December 2017, the Group held one block of commercial building located in Shenzhen, the PRC. Changes to the carrying amount of investment property in the consolidated balance sheet are summarized as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
At 1 January	290,920	249,170
Fair value gain	28,910	41,750
	<u>290,920</u>	<u>249,170</u>
At 31 December	319,830	290,920
	<u>319,830</u>	<u>290,920</u>

The Group's interest in investment property at its carrying amount is analysed as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
In Mainland China, held on :		
Lease of 50 years	319,830	290,920
	<u>319,830</u>	<u>290,920</u>

Investment property was valued at 31 December 2017 by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who is a member of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties.

As at 31 December 2017, investment property with carrying amount of RMB319,830,000 (2016: RMB290,920,000) was pledged as collateral for the Group's borrowings (note 29).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18 Investment property (Continued)

Fair value hierarchy

An independent valuation of the Group's investment property was performed by an independent and professionally qualified valuer to determine the fair value of the investment property as at 31 December 2017 and 2016.

As at 31 December 2017 and 2016, all of the Group's investment property was within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

Valuation processes of the Group

The Group's investment property was valued at 31 December 2017 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive directors and the audit committee.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

In valuing the property, the Group have adopted the income approach by taking into account the net rental income of the property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

There were no changes to the valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18 Investment property (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) as follows:

Description	Fair value at 31 Dec 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Landsea Tower-commercial building	319,830	Term and reversionary method	Term yields	5.5%	The higher the term yields, the lower the fair value
			Reversionary yields	4.5%	The higher the reversion yields, the lower the fair value
			Vacancy rate	6%	The higher the vacancy rate, the lower the fair value
			Average daily rental per square meter	3.20	The higher the average daily rental, the higher the fair value
Description	Fair value at 31 Dec 2016 (RMB'000)	Valuation technique(s)	Unobservable inputs	Unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Landsea Tower-commercial building	290,920	Term and reversionary method	Term yields	5.0%	The higher the term yields, the lower the fair value
			Reversionary yields	5.5%	The higher the reversion yields, the lower the fair value
			Vacancy rate	8%	The higher the vacancy rate, the lower the fair value
			Average daily rental per square meter	2.70	The higher the average daily rental, the higher the fair value

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19 Property, plant and equipment

	Leasehold improve- ments RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2016					
Cost	3,748	15,034	2,722	-	21,504
Accumulated depreciation	(3,043)	(3,263)	(1,279)	-	(7,585)
Net carrying amount	705	11,771	1,443	-	13,919
Year ended 31 December 2016					
Opening net carrying amount	705	11,771	1,443	-	13,919
Additions	10,095	8,933	334	-	19,362
Depreciation	(8,675)	(3,274)	(468)	-	(12,417)
Disposals	-	(3)	(35)	-	(38)
Exchange difference	45	184	15	-	244
Closing net carrying amount	2,170	17,611	1,289	-	21,070
At 31 December 2016					
Cost	13,843	23,964	3,021	-	40,828
Accumulated depreciation	(11,673)	(6,353)	(1,732)	-	(19,758)
Net carrying amount	2,170	17,611	1,289	-	21,070
Year ended 31 December 2017					
Opening net carrying amount	2,170	17,611	1,289	-	21,070
Additions	174,337 ⁽ⁱⁱ⁾	22,983	365	449,074 ⁽ⁱ⁾	646,759
Depreciation	(5,213)	(5,632)	(413)	-	(11,258)
Disposals	-	(23)	-	-	(23)
Exchange difference	(61)	(232)	(10)	-	(303)
Closing net carrying amount	171,233	34,707	1,231	449,074	656,245
At 31 December 2017					
Cost	188,180	46,919	3,386	449,074	687,559
Accumulated depreciation	(16,947)	(12,212)	(2,155)	-	(31,314)
Net carrying amount	171,233	34,707	1,231	449,074	656,245

(i) For the year ended 31 December 2017, the Group acquired two buildings for self-use and management, which both located in Shanghai at the cost of RMB 322,960,000 and RMB 126,114,000 respectively. As 31 December 2017, the Group has obtained the title certificates for the two buildings. The buildings were under decoration and not yet ready for use as at 31 December 2017.

(ii) Addition for leasehold improvements was mainly decoration costs on leased properties to be used as long-term rental apartments. Majority of the decoration are in progress and not yet ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Properties held for sale

Analysis of properties and lands held for sale is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Properties and lands held for sale:		
- In the PRC	830,982	378,624
- In the USA	20,038	18,856
	<u>851,020</u>	<u>397,480</u>
Less: provision for decline in the value of properties and lands held for sale	(3,189)	(2,157)
	<u><u>847,831</u></u>	<u><u>395,323</u></u>

Movement of properties and lands held for sale is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
As at 1 January	397,490	172,840
Addition (note 22)	4,987,120	4,015,509
Properties and lands sold (note 9)	(4,533,590)	(3,790,869)
	<u>851,020</u>	<u>397,480</u>

All of the properties and lands held for sale are within normal operating cycle and hence included under current assets. The amount of properties and lands held for sale expected to be recovered after more than one year is RMB31,060,000. The remaining balance is expected to be recovered within one year.

Movement of provision and lands for properties and lands held for sale is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
As at 1 January	(2,157)	-
provision during the year	(1,032)	(2,157)
	<u>(3,189)</u>	<u>(2,157)</u>

For the year ended 31 December 2017, the Group recognized impairment losses of RMB1,032,000 (2016: RMB2,157,000) on completed properties and lands held for sale (note 9).

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21 Inventories

	31 December 2017 RMB'000	31 December 2016 RMB'000
Decoration materials (note 9)	52,069	23,501

The cost of inventories recognised as expense and included in cost of sales and services amounted to RMB4,788,000 for the year ended 31 December 2017 (2016: RMB19,856,000).

22 Properties under development

Movement of properties under development is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
As at 1 January	10,379,261	7,986,633
Additions	5,958,140	6,842,304
Deduction as results of disposal of subsidiaries (note 38)	(4,691,399)	(434,167)
Transfer to properties and lands held for sale (note 20)	(4,987,120)	(4,015,509)
As at 31 December	6,658,882	10,379,261

Analysis of properties under development is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Leasehold land payments	3,849,021	7,619,059
- Leasehold land, the PRC	2,179,574	4,819,126
- Freehold land, the USA	1,669,447	2,799,933
Development expenditures and improvements	2,097,565	2,100,411
Total	5,946,586	9,719,470
Interest capitalised	712,296	659,791
	6,658,882	10,379,261

All of the properties under development are within normal operating cycle and hence included under current assets. The amount of properties under development expected to be completed after more than one year is RMB3,005,694,000. The remaining balance is expected to be completed within one year.

The Group's properties under development are located in the PRC and the USA.

As at 31 December 2017, properties under development with net book value of RMB 2,138,953,000 (2016: RMB4,321,649,000) were pledged as collateral for the Group's bank borrowings (note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 Properties under development(Continued)

On 11 October 2017, the Group signed an agreement with a third party at a proceed of RMB869,586,000 to sell a parcel of leasehold land located in Tianjin with net book value of RMB 194,379,000. As at 31 December 2017, RMB 600,000,000 has been received and the related leasehold land was pledged for the third party's borrowing. The disposal had not been completed as at 31 December 2017.

Certain subsidiary of the Group entered into a sale and buy-back agreement with a third party, whereby property under development were sold and the Group has the option to repurchase the property under development on a predetermined schedule at a nominated value, such property under development are restricted under the agreement as the title of freehold land has transferred to the third party. As at 31 December 2017, property under this restriction amounted to USD104,656,000(equivalent to RMB683,843,000), and related borrowing amounted to USD41,374,000(equivalent to RMB270,345,000)(note 29).

The interest capitalization rate of borrowing in 2017 is 6.5% (2016: 6.9%).

23 Trade receivables

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade receivables from sales of properties	4,180	21,930
Trade receivables from providing management services	371,465	205,543
Trade receivables from providing decoration services	33,892	8,356
Trade receivables from land sales	225,267	-
	<u>634,804</u>	<u>235,829</u>
Less: Provision for bad debt	(5,342)	(2,559)
	<u>629,462</u>	<u>235,270</u>

The carrying amounts of the trade receivables approximate their fair value.

The aging analysis of trade receivables by invoice date is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Less than one year	557,605	217,573
One to two years	62,502	18,256
Two to three years	14,697	-
	<u>634,804</u>	<u>235,829</u>

The credit terms granted to customers of purchase properties are generally ranging from 30 days to 60 days, while for the customers to whom the Group providing management services, decoration services and sales of land , the credit terms are one year.

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23 Trade receivables (Continued)

Based on past experience, management believes that no provision for impairment is necessary in respect of trade receivables arise from sales of properties and lands as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of these balances.

Movement in the provision for impairment of trade receivables from providing management services and decoration services that are assessed for impairment collectively are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
At 1 January	2,559	421
provision during the year	2,783	2,138
	<u>5,342</u>	<u>2,559</u>
At 31 December	<u><u>5,342</u></u>	<u><u>2,559</u></u>

As at 31 December 2017, the carrying amounts of trade receivables were denominated in below currencies:

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	409,537	232,212
USD	225,267	3,617
	<u>634,804</u>	<u>238,829</u>
	<u><u>634,804</u></u>	<u><u>238,829</u></u>

As at 31 December 2017, RMB 27,820,000(2016: RMB13,985,000) trade receivables were past due but not impaired.

Impairment loss on trade receivables is recorded in "Administrative expenses". Amount charge to the provision account are written off when there is no expectation of recovering additional cash.

24 Deposits for purchase of land

As at 31 December 2017, deposits for purchase of land represent the deposits made for acquisition of land parcels in the USA.

As at 31 December 2017, the carrying amounts of deposits for purchase of land were denominated in below currencies:

	31 December 2017 RMB'000	31 December 2016 RMB'000
USD	212,125	-
RMB	-	42,000
	<u>212,125</u>	<u>42,000</u>
	<u><u>212,125</u></u>	<u><u>42,000</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25 Other receivables, prepayments and deposits

	31 December 2017 RMB'000	31 December 2016 RMB'000
<u>Non-current assets</u>		
Prepayment for acquisition of subsidiaries	55,539	-
Lendings to third parties (i)	113,460	30,000
Deposits for property maintenance	11,827	5,413
Value added tax to be offset	1,000	-
Deposit paid for acquisition of an associate	-	390,103
	<u>181,826</u>	<u>425,516</u>
<u>Current assets</u>		
Value added tax to be offset and other prepaid value added tax and other surcharges (iii)	152,596	189,940
Prepaid rental fee (ii)	59,916	-
Deposits for purchase of land	33,483	1,000
Deposits in housing fund	18,712	17,729
Prepaid professional fee	-	8,806
Prepaid interests	-	11,200
Other receivables and prepayments	116,634	100,259
	<u>381,341</u>	<u>328,934</u>

The loans to third parties and maintenance fund are repayable within two to eight years from the end of the year. The balances of loans to third parties bear interest ranging from 6%-14%.

- (i) Of the total lendings to third parties, RMB66,443,000 (2016:RMB30,000,000) was secured by the equity securities of two companies which holds properties in the PRC.
- (ii) Prepaid rental fee is rental prepaid for the leasing of properties to be used for long-term rental apartments.
- (iii) Effective from 1 May 2016, the Group's PRC subsidiaries are subject to value added tax for its sales of properties. The applicable tax rate is 11% under normal VAT arrangement and is 5% for qualified old projects with a simplified method. Input VAT under normal VAT arrangement is deductible and is recorded as "other receivables, prepayments and deposits" when there is a debit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25 Other receivables, prepayments and deposits (Continued)

As at 31 December 2017, the carrying amounts of other receivables, prepayments and deposits were denominated in below currencies:

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	501,077	723,107
USD	58,138	27,966
HKD	3,952	3,377
	<u>563,167</u>	<u>754,450</u>

The fair value of other receivables, prepayments and deposits are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
<u>Non-current assets</u>		
Prepayment for acquisition of subsidiaries	55,539	-
Lendings to third parties	113,460	30,000
Deposits for property maintenance	8,597	3,751
Value added tax to be offset	1,000	-
Deposit paid for acquisition of an associate	-	390,103
	<u>178,596</u>	<u>423,854</u>
<u>Current assets</u>		
Value added tax to be offset and other prepaid value added tax and other surcharges	152,596	189,940
Prepaid rental fee	59,916	-
Deposits for purchase of land	33,483	1,000
Deposits in housing fund	18,712	17,729
Prepaid professional fee	-	8,806
Prepaid interests	-	11,200
Other receivables and prepayments	116,634	100,259
	<u>381,341</u>	<u>328,934</u>

The fair value of deposits for property maintenance are based on cash flows discounted using a rate based on the borrowing rate of 4.75%-4.9%. The fair values are within level 2 of the fair value hierarchy.

Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of these balances.

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26 Amounts due from non-controlling interests

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amounts due from non-controlling interests	571,500	558,000

In December 2017, 苏州朗坤置业有限公司 (Suzhou Langkun Property Limited) (“Suzhou Langkun”), an indirect non-wholly owned subsidiary of the Company, renewed the loan agreement with its owners, pursuant to which Suzhou Langkun would advance loan to its owners on pro-rata basis according to their respective shareholding interest in Suzhou Langkun. The loan is unsecured, repayable within one year, and Suzhou Langkun shall charge an annual interest rate of 4.35% per annum on the actual amount of drawdown. As at 31 December 2017, the outstanding amount due from the non-controlling shareholders of Suzhou Langkun amounted to RMB571,500,000.

27 Restricted cash and cash and cash equivalents

	31 December 2017 RMB'000	31 December 2016 RMB'000
Restricted cash		
- restricted for project developments	82,662	47,795
- restricted under escrow account for investments	70,000	-
- deposits as security for property purchasers’ mortgage loans	67,698	165,897
- restricted for discounted bank accepted notes	45,000	-
- pledged for the Group’s bank borrowings (note 29)	7,291	1,325
- others	9,301	705
	<u>281,952</u>	<u>215,722</u>
Cash on hand and cash at banks	<u>3,341,835</u>	<u>2,761,130</u>

The carrying amounts of restricted cash and cash and cash equivalents approximate their fair values.

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27 **Restricted cash and Cash and cash equivalents(Continued)**

As at 31 December 2017, the carrying amount of restricted cash, cash on hand and cash at banks were denominated in below currencies:

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	3,127,073	2,607,451
USD	492,066	363,342
HKD	4,648	8,059
	<u>3,623,787</u>	<u>2,976,852</u>

28 **Creditors and accruals**

	31 December 2017 RMB'000	31 December 2016 RMB'000
Payables for construction materials and services	1,162,081	975,214
Interest payable	235,257	138,205
Deposits from customers	190,115	29,932
Accruals for staff costs	159,949	111,917
Value added tax and other tax payables	126,353	70,186
Payables for acquisition of investments	92,144	-
Advanced payments received	-	4,160
Other payables	36,009	38,145
	<u>2,001,908</u>	<u>1,367,759</u>

As at 31 December 2017, the fair values of trade and other payables approximate their carrying amounts.

The aging analysis of payables for construction materials and services:

	31 December 2017 RMB'000
Less than one year	1,035,053
One to two years	30,933
Two to three years	5,865
Over three years	90,230
	<u>1,162,081</u>

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28 Creditors and accruals (Continued)

As at 31 December 2017, the carrying amounts of trade and other payables were denominated in below currencies:

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	1,702,046	1,169,901
USD	280,894	192,091
HKD	18,968	5,767
	<u>2,001,908</u>	<u>1,367,759</u>

29 Borrowings

	31 December 2017 RMB'000	31 December 2016 RMB'000
Bank borrowings		
- in RMB	1,447,900	2,852,685
- in USD	217,888	212,131
- in HKD	230,708	208,912
Sell and buy-back arrangement (in USD)(note 22)	270,345	-
Loans from the ultimate holding company (in RMB)	1,665,000	1,662,177
Senior private notes (in USD)	659,534	685,457
EB-5 Loans (in USD)	521,334	152,979
Loan from other financial institutes (in USD)	326,706	-
Discounted bank accepted note (in RMB)	90,000	-
Junior private notes (in USD)	-	309,000
Total	<u>5,429,415</u>	<u>6,083,341</u>
Less: short-term borrowings and current portion of long-term borrowings		
Bank borrowings		
- in RMB	(1,081,500)	(531,010)
- in USD	-	(212,131)
- in HKD	(16,718)	(208,912)
Loans from the ultimate holding company (in RMB)	-	(6,937)
Senior private notes (in USD)	(659,534)	-
Loan from other financial institutes (in USD)	(326,706)	-
Discounted bank accepted note (in RMB)	(90,000)	-
Junior private notes (in USD)	-	(309,000)
Total	<u>(2,174,458)</u>	<u>(1,267,990)</u>
Non-current portion	<u>3,254,957</u>	<u>4,815,351</u>

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29 Borrowings (Continued)

As at 31 December 2017, the carrying amounts of borrowings were denominated in below currencies :

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	3,202,900	4,514,862
USD	1,995,807	1,359,567
HKD	230,708	208,912
	5,429,415	6,083,341
	5,429,415	6,083,341

Bank borrowings carry interest ranging from 4.75% to 8.0% (2016: 2.46% to 8.0%) per annum and are secured by:

- (i) restricted cash of RMB7,291,000 (2016: RMB1,325,000) (note 27);
- (ii) properties held for sale owned by two fellow subsidiaries of the ultimate holding company of RMB526,511,000 (2016:RMB157,941,000);
- (iii) properties under development with carrying value of RMB2,138,953,000(2016: RMB4,321,649,000);
- (iv) investment property of RMB319,830,000(2016: RMB290,920,000) (note 18);
- (v) guarantee provided by the ultimate holding company;
- (vi) pledged by equity interest of subsidiaries of the Group.

The loans from the ultimate holding company are unsecured and carry interest ranging from 5.3% to 6.6% per annum.

Senior private notes are guaranteed by shares of subsidiaries of the Company (note43) and carries interest at 9.5% (2016: 9.5%) per annum. The balance of senior private notes is repayable on 30 April 2018.

EB-5 Loans represent loans from third parties and carry interest ranging from 3.6% to 4% per annum and are guaranteed by a subsidiary. The balances are repayable ranging from 3 January 2020 to 31 March 2021.

The junior private notes were repaid during the year ended 31 December 2017.

Loan from other financial institutes is guaranteed by the ultimate holding company and carried interest at 8% annual. The balance is repayable on 27 April 2018.

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29 Borrowings (Continued)

Borrowings are repayable as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	2,174,458	1,267,990
Between one and two years	188,019	2,022,747
Between two and five years	3,066,938	2,792,604
	<u>5,429,415</u>	<u>6,083,341</u>

Fair value of the borrowings are not materiality different to the carrying amount. Since the interest on the borrowings are either close to current market rates or borrowings are of a short term nature.

30 Deferred income tax

The deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Deferred income tax liabilities to be settled after more than one year	<u>75,537</u>	<u>52,850</u>
Deferred income tax assets:		
- to be recovered within one year	108,463	75,232
- to be recovered after more than one year	<u>129,272</u>	<u>78,377</u>
	<u>237,735</u>	<u>153,609</u>
Deferred tax assets, net	<u>162,198</u>	<u>100,759</u>

As at 31 December 2017, deferred income tax assets and deferred income tax liabilities of RMB 57,911,000(31 December 2016: 105,747,000) were offset.

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30 Deferred income tax (Continued)

The movements in the net deferred tax are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
At 1 January	100,759	44,220
Credited to profit or loss (note 11)	82,190	56,135
Disposal of subsidiaries (note 38)	(19,555)	-
Currency translation differences	(1,196)	404
	<u>162,198</u>	<u>100,759</u>
At 31 December	<u><u>162,198</u></u>	<u><u>100,759</u></u>

Movements in the deferred tax liabilities, prior to offsetting, are as follows:

	Revaluation of investment properties RMB'000	Difference in capitalized interests RMB'000	Accelerated tax depreciation RMB'000	Unrealised exchange gains RMB'000	Disposal of investments accounted for using the equity method RMB'000	Total RMB'000
At 1 January 2016	42,413	4,794	214	5,185	-	52,606
Charged to profit or loss	10,438	35,872	620	54,480	-	101,410
Currency translation differences	-	1,859	41	2,681	-	4,581
	<u>52,851</u>	<u>42,525</u>	<u>875</u>	<u>62,346</u>	<u>-</u>	<u>158,597</u>
At 31 December 2016	<u>52,851</u>	<u>42,525</u>	<u>875</u>	<u>62,346</u>	<u>-</u>	<u>158,597</u>
Charged to profit or loss	7,228	16,369	235	(58,940)	14,747	(20,361)
Currency translation differences	-	(2,960)	(51)	(1,777)	-	(4,788)
	<u>60,079</u>	<u>55,934</u>	<u>1,059</u>	<u>1,629</u>	<u>14,747</u>	<u>133,448</u>
At 31 December 2017	<u><u>60,079</u></u>	<u><u>55,934</u></u>	<u><u>1,059</u></u>	<u><u>1,629</u></u>	<u><u>14,747</u></u>	<u><u>133,448</u></u>

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30 Deferred income tax (Continued)

The movements in the deferred tax assets, prior to offsetting, are as follows:

	Temporary difference on unrealised profit of intercompany transactions RMB'000	Tax losses RMB'000	Temporary difference on recognition of revenues and cost of sales RMB'000	Provision for bad debt and accrued expenses RMB'000	Total RMB'000
At 1 January 2016	30,244	25,261	29,811	11,510	96,826
Charged to profit or loss	42,047	48,177	21,446	45,874	157,544
Currency translation differences	-	2,620	-	2,366	4,986
At 31 December 2016	72,291	76,058	51,257	59,750	259,356
Charged to profit or loss	36,045	14,208	(15,665)	27,241	61,829
Disposal of subsidiaries	-	(19,442)	-	(113)	(19,555)
Currency translation differences	-	(2,911)	-	(3,073)	(5,984)
At 31 December 2017	108,336	67,913	35,592	83,805	295,646

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31 Amounts due to non-controlling interests

	31 December 2017 RMB'000	31 December 2016 RMB'000
<u>Non-current liabilities</u>		
Amounts due to non-controlling interests (i)	17,217	211,492
<u>Current liabilities</u>		
Amounts due to non-controlling interests (ii)	18,110	-
	35,327	211,492
	35,327	211,492

(i) As of 31 December 2017, the amounts due to non-controlling interests are unsecured and bear interest at 10% per annum. The balance of RMB17,217,000 was repayable after one year.

As of 31 December 2016, the amounts due to non-controlling interests are unsecured and bear interest ranging from 10% to 12% per annum. The balance of RMB96,498,000 is repayable in December 2019 and the remaining balances have no fixed term of repayment.

(ii) As of 31 December 2017, the amounts due to non-controlling interests are unsecured. The balance of RMB18,110,000 was repayable in one year from the year of 2017 and interest free.

32 Share capital

	31 December 2017			31 December 2016		
	Number of shares '000	Nominal value of ordinary share HK\$'000	Equivalent nominal value of ordinary share RMB'000	Number of shares '000	Nominal value of ordinary share HK\$'000	Equivalent nominal value of ordinary share RMB'000
Ordinary shares, issued and fully paid:						
At 1 January	3,917,571	39,176	31,800	3,306,912	33,069	26,665
Issuance of shares	-	-	-	610,659	6,107	5,135
At 31 December	3,917,571	39,176	31,800	3,917,571	39,176	31,800

(a) On 29 January 2016, the Company completed the issuing of 610,659,269 ordinary shares of HK\$0.01 each at a price of HK\$0.718 per share to Landsea International to acquire Epic China. Accordingly, 610,659,269 ordinary shares of HK\$0.01 each were issued at a premium of HK\$0.708 each and the premium on issue of shares of HK\$432,347,000 (equivalent to RMB360,943,000), net of issuance costs, was credited to the share premium account.

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33 Share options and restricted share award scheme

(a) Share options

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 25 April 2012, the current share option scheme (the “Scheme”) was adopted by the Company. Since the adoption of the Scheme, no further options can be granted under the old scheme.

The Company operates the Scheme for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the directors (including executive and non-executive directors), other employees, suppliers, customers, person or entity providing research, development and other technical support, investee entity and any professional advisor and business consultant of the Group from time to time determined by the directors as having contributed or who may contribute to the development and growth of the Group. The Scheme is effective on 30 April 2012 and, unless otherwise terminated, remains in force for 10 years from that date.

Unless approved by shareholders of the Company, shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant including both exercised and unexercised options under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant. Any further grant of share options in excess of this limit is subject to shareholder’s approval in a general meeting.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under any share option schemes of the Company if this will result in the limit being exceeded.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the official closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

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33 Share options and restricted share award scheme (Continued)

(a) Share options (Continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of nominal consideration of HK\$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme and the terms of grant which shall not be more than 10 years from the date of grant.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet issued by the SEHK on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the SEHK for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be determined by the board of directors at the time the option is offered to the participants.

The scheme limit under the Scheme is 198,660,605 shares, representing 10.0% of the issued share capital of the Company on 25 April 2012, being the adoption date of the Scheme and approximately 5.1% of the issued share capital of the Company on 28 March 2018, being the date of the Annual Report.

The Scheme

There was no outstanding share option under the Scheme as at 31 December 2017 and 31 December 2016.

(b) Restricted share award scheme

On 2 July 2014, the Group adopted a share award scheme (the “Share Award Scheme”) as an incentive to recognise the contributions by employees and to give incentives in order to retain them for the continuing operation and development of the Group, as well as to attract suitable personnel for further development of the Group.

Pursuant to the Share Award Scheme, existing shares of the Company will be purchased or new shares will be subscribed for “Restricted Shares” by a trustee appointed by the Company and be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the rules of the Share Award Scheme. The Restricted Shares will be awarded with reference to the performance, operating and financial targets and other criteria determined by the Board from time to time.

During the year ended 31 December 2017, 12,352,000(2016: 144,000) existing shares at a cost of RMB 8,578,000(2016:RMB 90,000) were purchased by the trustee. Meanwhile, dividends of RMB2,035,000(2016:RMB 1,936,000) were received by the trustee.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

33 Share options and restricted share award scheme (Continued)

(b) Restricted share award scheme (Continued)

Details of the Restricted Shares granted by the Company are as follows:

Name of employees	Fair value per share (HK\$)	Outstanding at 1 January 2017	Granted during the year	Outstanding at 31 December 2017
Directors				
Tian Ming	0.68	3,277,500	-	3,277,500
Xiang Jiong	0.68	3,277,500	-	3,277,500
Shen Leying	0.68	2,214,500	-	2,214,500
Xie Yuanjian	0.68	2,037,500	-	2,037,500
Zhou Qin	0.68	1,505,000	-	1,505,000
		12,312,000	-	12,312,000
Other employees				
In aggregate	0.68	22,950,500	-	22,950,500
		35,262,500	-	35,262,500

The outstanding Restricted Shares had been fully vested as of 31 December 2016.

No expenses (2016: RMB10,245,000) (note 9) was recognized by the Group as there was no additional share based compensation during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

34 Convertible perpetual securities

The movements in the convertible perpetual securities are as follows:

	Convertible perpetual securities
	RMB'000
At 1 January 2016	110,054
Issuance of convertible perpetual securities (a)	363,847
Distribution accrued	18,661
Distribution paid	(8,358)
	<hr/>
At 31 December 2016 and 1 January 2017	484,204
Distribution accrued	19,679
Distribution paid	(8,458)
	<hr/>
At 31 December 2017	<u>495,425</u>

- (a) In November 2015, the Company entered into an agreement with a third party (the “third party investor”) pursuant to which the investor agreed to subscribe for convertible perpetual securities issued by the Company with an aggregate principal amount of HK\$130,000,000 (equivalent to RMB109,200,000).

The convertible perpetual securities do not have a fixed maturity date and may be converted into ordinary shares of the Company at any time at the option of the third party investor at an initial conversion price of HK\$0.7508 per share subject to certain anti-dilutive adjustments.

The Company paid a final dividend of RMB3.3 cents (equivalent to HK4 cents) per share for the year ended 31 December 2015 on 6 July 2016 to Shareholders whose names appeared on the register of members of the Company on 20 June 2016 (the “Record Date 1”), which constitutes an adjustment event of the initial conversion price pursuant to the terms and conditions of the securities. The Company issued a written notice to the security holder on 13 January 2017 in respect of the adjustment made to the initial conversion price from HK\$0.7508 per Share to HK\$0.7050 per share with retrospective effect from 21 June 2016, being the date immediately following the Record Date 1. Similarly, following the payment of 2016 dividend of RMB 3.54 cents (equivalent to HKD 4 cents) per share in 3 July 2017 (“Record Date 2”). The Company issued a written notice to the security holder on 4 July 2017 in respect of the adjustment made to the conversion price from HK\$0.7050 per Share to HK\$0.6600 per share with retrospective effect from 8 June 2017, being the date immediately following the Record Date 2.

The Company may, at its discretion, elect to defer (in whole or in part) any distribution unless certain compulsory distribution payment events have occurred and redeem or purchase the convertible perpetual securities i) for taxation reasons; ii) on the third anniversary of the completion date; and iii) upon certain events as set out in the agreement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

34 Convertible perpetual securities (Continued)

- (a) Distribution shall be payable on the convertible perpetual securities to the investor semi-annually in arrear at the following rate of distribution:
- (i) 7.5% per annum in respect of the period from the completion date to the third anniversary of the completion date; and
 - (ii) 13.5% per annum after the third anniversary of the completion date.
- (b) In January 2016, the Company issued convertible perpetual securities to Landsea International with an aggregate principal amount of HK\$432,687,009 (equivalent to RMB363,847,000) to acquire Epic China.

The convertible perpetual securities do not have a fixed maturity date and may be converted into ordinary shares of the Company at any time at the option of Landsea International at an initial conversion price of HK\$0.9334 per share subject to certain anti dilutive adjustment.

Distribution shall be payable on the convertible perpetual securities to Landsea International semi-annually in arrear at 3% per annum of distribution.

The Company may, at its sole discretion, elect to defer (in whole or in part) any distribution and redeem or purchase the convertible perpetual securities: i) for taxation reasons; ii) on or after the third anniversary of the acquisition date.

The convertible perpetual securities issued to Landsea international didn't trigger the conversion price adjustment of the convertible perpetual securities issued to the third party investor.

During the year ended 31 December 2017, the Group has accrued and paid distribution of RMB 19,679,000 and RMB8,458,000, respectively (2016: RMB18,661,000 and RMB8,358,000, respectively).

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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35 Reserves

	Merger Reserve	Share premium (a)	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Statutory reserve (b)	Other reserve	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016											
Business combination between entities under common control	-	751,108	(141,418)	9,555	(30,753)	23,185	38,584	-	-	1,129,485	1,779,746
At 1 January 2016 (Restated)	12,460	-	(1,706)	-	-	-	3,271	-	-	(12,541)	1,484
Profit for the period	12,460	751,108	(143,124)	9,555	(30,753)	23,185	41,855	-	-	1,116,944	1,781,230
Other comprehensive income:											
Exchange differences arising from translation of foreign operations	-	-	(141,026)	-	-	-	-	-	-	595,439	595,439
Total comprehensive (loss)/ income for the period	-	-	(141,026)	-	-	-	-	-	-	-	(141,026)
Employee share based compensation (note 9)	-	-	-	10,245	-	-	-	-	-	-	10,245
Shares held for share award scheme	-	-	-	-	1,846	-	-	-	-	-	1,846
Transaction with non-controlling interests	-	-	-	-	-	-	-	24,426	-	-	24,426
Accrue distribution to holders of convertible perpetual securities (note 34)	-	-	-	-	-	-	-	-	-	(18,661)	(18,661)
Dividend	-	-	-	-	-	-	-	-	(133,934)	-	(133,934)
Transfer to statutory reserve	-	-	-	-	-	-	83,294	-	-	(83,294)	-
Issuance of shares	-	360,943	-	-	-	-	-	-	-	-	360,943
Share premium reduction	-	(400,000)	-	-	-	-	-	-	248,645	151,355	-
Consideration paid for business combination between entities under common control	(95,856)	-	-	-	-	-	-	-	-	-	(95,856)
At 31 December 2016	(83,396)	712,051	(284,150)	19,800	(28,907)	23,185	125,149	24,426	114,711	1,761,783	2,384,652

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35 Reserves (Continued)

	Merger Reserve	Share premium (a)	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Statutory reserve (b)	Other reserve	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	(83,396)	712,051	(284,150)	19,800	(28,907)	23,185	125,149	24,426	114,711	1,761,783	2,384,652
Profit for the period	-	-	-	-	-	-	-	-	-	580,523	580,523
Other comprehensive income:											
Exchange differences arising from translation of foreign operations	-	-	164,445	-	-	-	-	-	-	-	164,445
Total comprehensive income for the period	-	-	164,445	-	-	-	-	-	-	580,523	744,968
Shares held for share award scheme	-	-	-	-	(6,543)	-	-	-	-	-	(6,543)
Accrue distribution to holders of convertible perpetual securities (note 34)	-	-	-	-	-	-	-	-	-	(19,679)	(19,679)
Dividend	-	-	-	-	-	-	-	-	(138,682)	-	(138,682)
Transfer to statutory reserve(b)	-	-	-	-	-	-	89,915	-	-	(89,915)	-
Share premium reduction(a)	-	(500,000)	-	-	-	-	-	-	500,000	-	-
At 31 December 2017	(83,396)	212,051	(119,705)	19,800	(35,450)	23,185	215,064	24,426	476,029	2,232,712	2,964,716

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

35 Reserves (Continued)

- (a) Pursuant to a resolution passed at the annual general meeting held on 10 June 2017, an amount of RMB500,000,000 was transferred from the share premium account to the contributed surplus account. Under the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Pursuant to a resolution passed at the annual general meeting held on 10 June 2016, an amount of RMB400,000,000 was transferred from the share premium account to the contributed surplus account and retained earnings, respectively. Under the companies Act 1981 of Bermuda, a Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

- (b) In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the statutory reserves has to be made prior to profit distribution to the investor. The appropriation to the statutory reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

36 Non-controlling interests

	31 December 2017 RMB'000	31 December 2016 RMB'000
At 1 January	152,060	40,210
Profit for the year	140,318	11,397
Acquisition of additional interest in subsidiaries	(134,044)	-
Acquisition of subsidiaries (note 37)	137,010	-
Deemed disposal of subsidiaries (note 38(b))	(33,407)	-
Contribution from non-controlling interests	24,674	278,509
Distribution to non-controlling interests	(61,344)	(196,800)
Exchange difference arising from translation of foreign operations	(19,145)	18,744
	<hr/>	<hr/>
At 31 December 2017	206,122	152,060
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

37 Acquisitions of subsidiaries (asset acquisitions)

(i) Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited(“Xudong”)

During the year 2017, the Group acquired Xudong. The related assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions were as follows:

	RMB'000
Properties under development	1,256,012
Cash and cash equivalents	19
Trade and other receivables	43,213
Trade and other payables	(17,649)
Subtotal	1,281,595
Non-controlling interest	(132,144)
Assets acquired	1,149,451
Cash consideration	1,082,200
Interest in an associate	67,251
Total	1,149,451
Cash consideration	1,082,200
Less: Cash and cash equivalents of subsidiary acquired	(19)
Net outflow of cash and cash equivalents on acquisitions	1,082,181

(ii) Others

Apart from Xudong, the Group acquired a number of property development companies, which, the directors consider not significant to the Group. The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions were as follows:

	RMB'000
Properties under development	846,244
Cash and cash equivalents	12,570
Trade and other receivables	54,453
Trade and other payables	(16,990)
Subtotal	896,277
Non-controlling interest	(4,866)
Assets acquired	891,411
Cash consideration	821,411
Consideration payable for acquisition	70,000
Total	891,411
Cash consideration	821,411
Less: Cash and cash equivalents of subsidiary acquired	(12,570)
Net outflow of cash and cash equivalents on acquisitions	808,841

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

37 Acquisitions of subsidiaries (asset acquisitions)

- (iii) During the year ended 31 December 2016, the Group acquired 寰安置业(成都)有限公司 (All Green Properties (Chengdu) Co., Ltd.), 中福颐养(天津)置业有限公司 (Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.), 中福乐龄(天津)置业有限公司 (Zhongfuleing (Tianjin) Real Estate Co., Ltd.), 上海昆宏实业有限公司 (Shanghai Kunhong Co., Ltd.) and 中福颐乐(天津)置业有限公司 (Zhongfuyile (Tianjin) Real Estate Co., Ltd.) together with certain shareholder loan from third parties with the consideration of RMB1,668,150,000 in total (net of cash outflow on acquisition was RMB1,666,494,000). The acquirees own certain land use rights and a second-hand property. Since the lands and property were vacant and management plans to develop or redevelop them for sale in the future, these transactions have been accounted for as acquisitions of assets and liabilities instead of business combination.

38 Disposals of subsidiaries

- (i) Xudong

During the year 2017, the Group disposed of Xudong, which was retained as a joint venture after the transaction.

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	RMB'000
Net assets disposed of comprise:	
Properties under development	1,267,491
Cash and cash equivalents	20,110
Deferred tax assets	6,404
Other assets	106,464
Creditors and accruals	(60,230)
Other liabilities	(62)
Shareholder's loan	(749,248)
	<hr/>
Group's net assets disposed of	590,929
	<hr/>
Recognition of interest in joint ventures	198,766
Consideration from disposal to be received(a)	461,895
	<hr/>
Total	660,661
	<hr/>
Gain on disposal of subsidiaries	69,732
	<hr/> <hr/>
Total consideration in cash	461,895
Less: Due from joint ventures(note 41)	(461,895)
	<hr/>
	-
Less: Cash and cash equivalents in the entities disposed	(20,110)
	<hr/>
Net cash outflow arising from disposal:	(20,110)
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- (a) The Group disposed of Xudong to a joint venture of the Group and accordingly, the proceeds to be received is recorded in amounts due from related parties(note 41). The amounts was collected on 11 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

38 Disposals of subsidiaries (Continued)

(ii) Others

Apart from Xudong, the Group disposed a number of property development companies, which, the directors consider not significant to the Group. The subsidiaries disposed of were all retained as joint ventures and associates.

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	Interest retained in joint ventures RMB'000	Interest retained in associates RMB'000
Net assets disposed of comprise:		
Properties under development	1,087,499	1,909,720
Cash and cash equivalents	79,476	90,796
Deferred tax assets	13,151	-
Amount due from shareholder	-	170,000
Other assets	12,748	23,245
Creditors and accruals	(7,178)	-
Borrowings	(100,000)	(959,440)
Shareholder's loan	(254,000)	-
Other liabilities	(207,138)	(418,281)
	<hr/>	<hr/>
Group's net assets disposed of	624,558	816,040
	<hr/>	<hr/>
Fair value interest retained	323,074	335,627
Cash consideration from disposal	329,574	658,839
	<hr/>	<hr/>
Total	652,648	994,466
	<hr/>	<hr/>
Gain on disposal of subsidiaries	28,090	178,426
	<hr/> <hr/>	<hr/> <hr/>
Total consideration in cash	329,574	658,839
Less: Receivables	-	(1,032)
	<hr/>	<hr/>
	329,574	657,807
Less: Cash and cash equivalents in the entities disposed	(79,476)	(90,796)
	<hr/>	<hr/>
Net cash inflow arising from disposal:	250,098	567,011
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

38 Disposals of subsidiaries (Continued)

(iii) Deemed disposal of subsidiaries

For the year ended 31 December 2017, the Group lost control in Hangzhou Langzheng Investment Limited.. Zhongfuyile (Tianjin) Real Estate Co., Ltd. and Zhongfuleling (Tianjin) Real Estate Co., Ltd., pursuant to capital injection by a new investor and change of board of directors composition, respectively. The two companies became joint ventures of the Group after the change in control.

The deemed disposal had resulted in a net gain of RMB9,371,000 and the net cash outflow of RMB20,800,000 analysed as follow:

	RMB'000
Properties under development	426,689
Cash and cash equivalents	20,800
Other assets	141,290
Creditors and accruals	(14,326)
Borrowings	(200,000)
Shareholder's loan	(47,822)
Other liabilities	(144,291)
Amount due to non-controlling interests	(83,328)
	<hr/>
Group's net assets disposed of	99,012
Non-controlling interests	(33,407)
	<hr/>
Net assets	65,605
	<hr/>
Gain on deemed disposal of a subsidiary :	
Fair value of interests retained in joint ventures	74,976
	<hr/>
Gain on deemed disposal	9,371
	<hr/> <hr/>
Net cash outflow arising from deemed disposal:	(20,800)
	<hr/> <hr/>

(iv) Summary with details are as follows:

	Gain from disposal of subsidiaries RMB'000	Net Cash inflow from disposal of subsidiaries RMB'000
Disposal of Xudong	69,732	(20,110)
Disposal of subsidiaries to joint ventures other than Xudong	28,090	250,098
Disposal of subsidiaries to associates	178,426	567,011
Deemed disposal	9,371	(20,800)
	<hr/>	<hr/>
	285,619	776,199
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

39 Disposals of subsidiaries (Continued)

(v) Disposal during the year ended December 2016

(a) Disposal of subsidiaries without retained equity interests

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	RMB'000
Net assets disposed of comprise:	
Properties under development	434,167
Other receivables	203,441
Cash and cash equivalents	11,959
Interest in an associate	2,450
Other assets	544
Borrowings	(270,000)
Shareholder loans	(389,764)
Other liabilities	(2,050)
	<hr/>
Group's net liabilities disposed of	(9,253)
Cash consideration from disposal	105,005
	<hr/>
Gain on disposal of a subsidiary	114,258
	<hr/> <hr/>
Total consideration in cash	494,769
Less: Shareholder loans	(389,764)
Less: Cash and cash equivalents in the entities disposed	(11,959)
	<hr/>
Net cash inflow arising from disposal:	93,046
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

40 Disposals of subsidiaries (Continued)

(v) Disposal during the year ended December 2016

(b) Disposal of subsidiaries with loss of control retained as joint ventures

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	RMB'000
Net assets disposed of comprise:	
Properties under development	1,031,045
Interest in a joint venture	238,672
Cash and cash equivalents	5,101
Other assets	573
Property, plant and equipment	43
Creditors and accruals	(621,594)
Borrowings	(250,000)
Other liabilities	(401)
Translation reserve	66
	<hr/>
Group's net assets disposed of	403,505
Recognition of interest in joint ventures	229,936
Cash consideration from disposal	224,615
	<hr/>
Gain on disposal of a subsidiary	51,046
	<hr/> <hr/>
Total consideration in cash	224,614
Less: Cash and cash equivalents in the entities disposed	(5,101)
	<hr/>
Net cash inflow arising from disposal:	219,513
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

39 Commitments

(a) Operating lease arrangement

Group – As lessee

At the reporting date, the Group had outstanding commitment for future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	82,756	23,153
In the second to fifth year inclusive	763,080	37,256
After five years	1,549,378	-
	<u>2,395,214</u>	<u>60,409</u>

Group - As lessor

The Group leases its investment property under operating lease arrangements, with lease terms ranging from one to twenty years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	34,449	20,513
In the second to fifth year inclusive	66,158	57,105
After five years	18,723	14,992
	<u>119,330</u>	<u>92,610</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

39 Commitments (Continued)

(b) Capital commitment

As at 31 December 2017, the Group had the following capital commitments:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Authorised but not contracted for		
- Development expenditure	864,765	2,157,049
	<u> </u>	<u> </u>
Contracted but not provided for:		
- Development expenditure	1,534,328	1,909,406
- Purchase of freehold land	854,724	-
- Renovation expenditure	84,527	-
	<u> </u>	<u> </u>
	<u>2,473,579</u>	<u>1,909,406</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

40 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations is as follows:

(a) Cash flow information

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Profit before income tax	1,127,411	832,467
<i>Adjustments for:</i>		
Interest income (note 10)	(10,120)	(14,700)
Depreciation of property, plant and equipment (note 19)	11,258	12,417
Fair value gain on investment property (note 18)	(28,910)	(41,750)
Interest expense (note 10)	249,045	194,085
Gains on disposals of subsidiaries (note 8)	(285,619)	(165,304)
Gains on disposals of a joint venture (note 8)	(608)	-
Share of gains of associates	(169,453)	(45,088)
Share of gains of joint ventures	(21,881)	(24,930)
Employee share based compensation (note 9)	-	10,245
Gain on disposal of property, plant and equipment (note 8)	2	(56)
Provision for write-down of properties held for sale (note 20)	1,032	2,157
Provision for trade receivables, other receivables and amount due from related parties (note 9)	2,783	2,138
	<hr/>	<hr/>
Operating profit before movements in working capital	874,940	761,681
Increase in properties held for sale	(453,540)	(223,254)
Decrease/(Increase) in properties under development	1,430,029	(1,220,797)
Increase in inventories	(28,559)	(16,378)
(Increase)/Decrease in deposits for purchase of land	(170,125)	687,300
Increase in trade receivables	(461,784)	(140,425)
Increase in other receivables, prepayments and deposits	(27,010)	(905,381)
(Decrease)/Increase in advanced proceeds received from customers	(873,739)	1,942,985
Increase in restricted cash	(25,397)	(47,409)
Increase in creditors and accruals	1,394,236	1,567,575
(Increase)/Decrease in employee share trust	(6,543)	1,846
(Increase)/Decrease in amount due from related parties	(1,223,788)	3,819
Increase in amount due to related parties	1,019,400	-
	<hr/>	<hr/>
Net cash generated from operations	1,448,120	2,411,562
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

40 Cash generated from operations (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Amount due to non-controlling interest RMB'000	Amount due to related parties RMB'000	Total RMB'000
As at 1 January 2017	6,083,341	211,492	2,112,472	8,407,305
Cash flows	567,982	(92,837)	2,646,214*	3,121,359
Disposal of subsidiaries (note 38)	(1,259,440)	(83,328)	-	(1,342,768)
Exchange differences arising from translation of foreign operations	24,026	-	-	24,026
Amortisation of senior private note	13,506	-	-	13,506
As at 31 December 2017	5,429,415	35,327	4,758,686	10,223,428

*The cash flows include financing cash inflow of RMB 1,626,814,000 and operating cash inflow of RMB1,019,400,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 Related party balances and transactions

In addition to those related party balances and transactions elsewhere disclosed in those consolidated financial statements, the Group had the following:

(a) Amounts due from related parties

	31 December 2017 RMB'000	31 December 2016 RMB'000
<u>Non-current assets</u>		
Amounts due from associates (i)	285,364	-
Amounts due from joint ventures (ii)	1,085,171	187,036
	<u>1,370,535</u>	<u>187,036</u>
<u>Current assets</u>		
Amounts due from associates (i)	768,465	650,919
Amounts due from joint ventures (ii)	791,361	167,352
	<u>1,559,826</u>	<u>818,271</u>

- (i) As of 31 December 2017, non-current amounts due from associates generates interest at 8% per annum. Current amount due from associates includes RMB204,104,000 generating interest at 14% and the remaining is interest-free.

As of 31 December 2016, current amounts due from associates generates interest ranging from 8% to 14%.

- (ii) As of 31 December 2017, non-current amounts due from joint ventures generates interest ranging from 5% to 12%. Current amounts due from joint ventures includes RMB159,000,000 bearing interest ranging from 5% to 12% per annum and the remaining is interest-free.

Included in current amount due from joint ventures is RMB 461,895,000 related to the disposal of a subsidiary(note 38), which was subsequently collected on 11 January 2018.

As of 31 December 2016, non-current amounts due from joint ventures includes RMB 146,304,000 generating interest at 8.5% and the remaining is interest-free. Current amounts due from joint ventures includes RMB 100,000,000 generating interest at 8% per annum and the remaining is interest-free.

All amounts due to related parties are unsecured.

The carrying amounts of amounts due from related parties approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 Related party balances and transactions (Continued)

(b) Amounts due to related parties

	31 December 2017	31 December 2016
	RMB'000	RMB'000
<u>Non-current liabilities</u>		
Amounts due to associates (i)	1,761,220	707,182
Amounts due to joint ventures (ii)	763,474	210,100
Amounts due to fellow subsidiaries of the ultimate holding company(iii)	189,912	-
Amounts due to the ultimate holding company (iv)	-	869,830
	<u>2,714,606</u>	<u>1,787,112</u>
<u>Current liabilities</u>		
Amounts due to associates (i)	298,200	220,000
Amounts due to joint ventures(ii)	25,398	-
Amounts due to fellow subsidiaries of the ultimate holding company (iii)	8,092	105,360
Amounts due to the ultimate holding company (iv)	1,712,390	-
	<u>2,044,080</u>	<u>325,360</u>

(i) As of 31 December 2017, non-current amounts due to associates is interest-free. Current amounts due to associates includes RMB 293,700,000 bearing interest at 8.5% per annum and the remaining is interest-free.

As of 31 December 2016, non-current amounts due to associates is interest-free. Current amounts due to associates bears interest ranging from 5.5% to 6.2% per annum.

(ii) As of 31 December 2017, non-current amounts due to joint ventures includes RMB 315,230,000 bearing interest ranging from 6% to 7.5% per annum and the remaining is interest-free. Current amount due to joint ventures is interest-free.

As of 31 December 2016, non-current amounts due to joint ventures includes RMB160,000,000 bearing interest at 7.5% per annum, and the remaining balance is interest-free.

(iii) As of 31 December 2017, non-current amounts due to fellow subsidiaries of the ultimate holding company bears interest at 5.5% per annum. Current amount due to fellow subsidiaries of the ultimate holding company is interest-free.

As of 31 December 2016, current amounts due to fellow subsidiaries of the ultimate holding company bears interest at 5.5% per annum.

(iv) As of 31 December 2017, current amounts due to the ultimate holding company is interest-free.

As of 31 December 2016, non-current amounts due to the ultimate holding company is interest-free.

All amounts due to related parties are unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 Related party balances and transactions (Continued)

(c) Trade receivables

	31 December 2017 RMB'000
Trade receivables due from joint ventures	158,065
Trade receivables due from associates	65,586
	<u>223,651</u>

(d) Borrowings

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amount due to the ultimate holding company (note 29)	<u>1,665,000</u>	<u>1,662,177</u>

(e) Related party transactions

(1) Funding with related parties

	For the year ended 31 December 2017			
	Funding to related parties		Collection of funding	
	Operating RMB'000	Investing RMB'000	Operating RMB'000	Investing RMB'000
Associates	570,022	285,364	2,801	468,849
Joint ventures	656,567	38,955	-	809,404
	<u>1,226,589</u>	<u>324,319</u>	<u>2,801</u>	<u>1,278,253</u>

	For the year ended 31 December 2017			
	Funding from related parties		Repayment of funding	
	Operating RMB'000	Financing RMB'000	Operating RMB'000	Financing RMB'000
Associates	737,492	485,838	-	253,000
Joint ventures	290,000	561,734	-	94,870
Fellow subsidiaries of the ultimate holding company	-	189,912	8,092	105,360
The ultimate holding company	-	842,560	-	-
	<u>1,027,492</u>	<u>2,080,044</u>	<u>8,092</u>	<u>453,230</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 Related party transactions (Continued)

(e) Related party transactions(Continued)

(2) Mangement services, other income and finance cost

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Management services income from associates and joint ventures (note 5)	421,983	187,845
Management services income from fellow subsidiaries of the ultimate holding company (note 5)	612	74,045
Interest income received from associates (note 41 (a)(i))	52,454	75,841
Interest income received from joint ventures (note 41 (a)(ii))	52,948	19,223
Interest expense on loans from the ultimate holding company (iii)	126,888	100,296
Interest expense on loans from fellow subsidiaries of the ultimate holding company (note 41 (b)(iii))	58,098	830
Interest expense on loans from joint ventures (note 41 (b)(ii))	29,789	15,817
Interest expense on loans from associates (note 41(b)(i))	11,388	13,058
	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41 Related party transactions (Continued)

- (e) Related party transactions(Continued)
- (i) During the year, the Group provided property development and management services to its associates and joint ventures, and the prices of these services are based on the prevailing market prices of similar services.
- (ii) Pursuant to the Management Services Agreement entered into between the Group and its ultimate holding company, the Group has provided certain project development and management, sales management to fellow subsidiaries of its ultimate holding company. These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.
- The prices of these services are based on the prevailing market prices of similar services provided by the Group to independent third parties.
- (iii) The ultimate holding company provided interest bearing loans to the Group during the year. The interest expense on loans is based on prevailing market interest rate and is exempted from the reporting and disclosure requirement pursuant to Rule 14A.90 of the Listing Rules.
- (f) Included in employee benefit expenses are key management personnel compensations which comprises the following categories:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Short term employee benefits	42,641	29,776
Contributions to retirement benefits schemes	1,267	820
Restricted share award	-	5,825
	<u>43,908</u>	<u>36,421</u>

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****42 Guarantee**

	31 December 2017 RMB'000	31 December 2016 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (i)	2,140,598	2,648,983
Guarantee to joint ventures in respect of borrowings (ii)	230,316	141,558
	<u>2,370,914</u>	<u>2,790,541</u>

- (i) The Group has in cooperation with certain financial institutions arranged mortgage loan facilities for its purchasers of properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the satisfaction of mortgaged loan by the purchase of properties, whichever is earlier. In the opinion of directors of the Company, the fair value of the financial guarantee contracts is not significant.
- (ii) As at 31 December 2017 and 2016, the Group provided a guarantee to Fenway Ventures Point Properties LLC, a 50% joint venture of LS-Boston Point LLC, for its bank borrowings. Obligations under such guarantees shall be discharged pursuant to the counter-indemnity provided by Landsea Group Co., Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

43 Principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Cathay Holdings Limited 國泰集團有限公司(note1)	Hong Kong	2 shares of HK\$1 each	100	100	100	Investment holding
China Information Industry Limited 中國信息產業有限公司 (note1)	Hong Kong	2 shares of HK\$1 each	-	100	100	Investment holding
Dawning Information Industry (Shenzhen) Limited # 曙光信息產業(深圳)有限公司#(note1)	PRC	HK\$152,120,000	-	100	100	Property leasing and building management
GOI Limited (note1)	Hong Kong	2 shares of HK\$1 each	100	100	100	Investment holding
Green Future Holdings Limited 綠色未來控股有限公司 (note1)	Hong Kong	1 share of HK\$1	100	100	100	Investment holding
Green Homeland Limited 綠色家園有限公司(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Green Theme Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
New Phenomenon Technology Limited(note1)	BVI	1 share of US\$1	100	100	100	Investment holding
Aqua Sky Limited (note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Easy Shine Global Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Green Era Limited(note1)	Hong Kong	US\$50,000	100	100	100	Investment holding
Power sky enterprise Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Prosperous eagle Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Nanjing Langming Properties Group Limited*# 南京朗銘地產集團有限公司#	PRC	RMB1,050,000,000	-	100	100	Investment holding
Hangzhou Langhong Property Limited*# 杭州朗宏置業有限公司#	PRC	RMB100,000,000	-	100	100	Property development
Chengdu Langming Property Limited*# 成都朗銘置業有限公司#	PRC	RMB8,000,000	-	100	100	Property development
Shanghai Langming Property development Limited*# 上海朗銘房地產開發有限公司#	PRC	RMB50,000,000	-	100	100	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Suzhou Langkun Property Limited*# 蘇州朗坤置業有限公司	PRC	RMB100,000,000	-	55	55	Property development
Shanghai Langxin Properties Development Limited*# 上海朗信房地產開發有限公司#	PRC	RMB50,000,000	-	100	100	Property development
Wuxi Langhua Development Co., Ltd.*# 無錫朗華置業有限公司#	PRC	RMB50,000,000	-	100	100	Property development
Nanjing Ganjia Investment Limited*# 南京乾嘉投資有限公司#	PRC	RMB8,000,000	-	100	100	Property development
Nanjing Landsea Shenlu Property Management Limited*# 南京朗詩深綠物業管理有限公司#	PRC	RMB5,000,000	-	100	100	Property leasing and building management
Nanjing Landsea Investment Management Limited*# 南京朗詩投資管理有限公司#	PRC	RMB200,000,000	-	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Shanghai Landsea Investment Management Limited*# 上海朗詩投資管理有限公司#	PRC	US\$5,000,000	-	100	100	Investment holding
Shanghai Langmao Investment Management Limited*# 上海朗茂投資管理有限公司#	PRC	US\$500,000	-	100	100	Investment holding
Nanjing Langqing Property Limited*# 南京朗慶置業有限公司#	PRC	HK\$1,371,480,000	-	100	100	Property development
Nanjing Landsea Construction and Decoration Limited*# 南京朗詩建築裝飾有限公司#	PRC	RMB50,000,000	-	100	100	Decoration and design
Zhejiang Langyue Construction and Decoration Limited*# 浙江朗悅建築裝飾有限公司#	PRC	RMB10,000,000	-	100	100	Decoration and design
Ningbo Jinwo Business Investment Co., Ltd.*# 宁波金沃商業投資有限公司#	PRC	RMB30,000,000.00	-	100	-	Property development

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held directly by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Wuxi Minglang Property Limited*# 無錫明朗置業有限公司#	PRC	RMB50,000,000	-	100	100	Property development
Chongqing Langrui Equity Investment Fund Partnership (Limited Partnership)*# 重慶朗睿股權投資基金合夥企業(有限合夥)#	PRC	RMB2,000,000,000	-	100	100	Investment holding
Wuhan Langxi Equity Investment Fund Partnership (Limited Partnership)*# 武漢朗熙股權投資基金合夥企業(有限合夥)#	PRC	RMB1,999,800,000	-	100	100	Investment holding
Shanghai Langqing Investment Management Limited*# 上海朗青投資管理有限公司#	PRC	RMB17,183,252.53	-	100	100	Investment holding
Nanjing Xinbeisheng Investment Limited*# 南京鑫貝盛投資管理有限公司#	PRC	Subscription	-	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Nanjing Bozhixin Investment Management Limited*# 南京博之鑫投资管理有限公司#	PRC	RMB17,880,000	-	100	100	Investment holding
Nanjing Xinhuisheng Investment Management Limited*# 南京鑫輝盛投资管理有限公司#	PRC	RMB8,000,000	-	60	60	Investment holding
Nanjing Xinzhousheng Investment Management Limited*# 南京鑫洲盛投资管理有限公司#	PRC	Subscription	-	100	100	Investment holding
Nanjing Xinmingsheng Investment Management Limited*# 南京鑫明盛投资管理有限公司#	PRC	Subscription	-	100	100	Investment holding
Suzhou Langrui Investment Mangement Limited*# 蘇州朗銳投資管理有限公司#	PRC	Subscription	-	100	100	Investment holding

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Hangzhou Langhui Investment Management Limited*# 杭州朗輝投資管理有限公司#	PRC	RMB5,000,000	-	100	100	Investment holding
Shanghai Langju Properties Development Limited*# 上海朗居房地產開發有限公司#	PRC	Subscription	-	100	100	Property development
Beijing Landsea Investment Limited*# 北京朗詩投資管理有限公司#	PRC	RMB50,000,000	-	100	100	Property development
Nanjing Landsea Landscape Limited*# 南京朗詩園林景觀有限公司#	PRC	RMB2,000,000	-	100	100	Property development
Wuhan Langming Investment Limited*# 武漢朗銘投資有限公司#	PRC	Subscription	-	100	100	Property leasing and building management
Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.*# 中福頤養(天津)置業有限公司#	PRC	RMB100,000,000	-	75	75	Property development

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Shanghai Landsea Planning and architectural design Co.,Ltd.*# 上海朗诗规划建筑设计有限公司 (原上海汤正规划建筑设计有限公司)#	PRC	RMB3,000,000	-	100	100	Decoration and design
Wuhan Langheng Industrial Co.Ltd.*# 武汉朗恒实业有限公司#	PRC	Subscription	-	100	100	Property development
Shanghai Langji Enterprise Management Consulting Co., Ltd.*# 上海朗际企业管理咨询咨询有限公司#	PRC	Subscription	-	100	100	Investment holding
Shanghai Langshan Industrial Co., Ltd.*# 上海朗杉实业有限公司#	PRC	RMB10,000,000	-	100	100	Property development
Hangzhou Langkang Investment Co., Ltd.*# 杭州朗康投资有限公司#	PRC	Subscription	-	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Xian Jiapeng Real Estate Development Co. LTD.*# 西安嘉鹏房地产开发有限公司#	PRC	RMB 20,000,000	-	70	-	Property development
Xian Langshiming Real Estate Development Co. LTD.*# 西安朗诗铭房地产开发有限公司#	PRC	Subscription	-	100	-	Property development
Shanghai Langzhi Property Limited*# 上海朗智置業有限公司#	PRC	RMB8,000,000	-	100	100	Property development

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Hangzhou Langyu Investment Management Co. LTD.*# 杭州朗寓投资管理 有限公司#	PRC	RMB105,492,600.00	-	100	-	Leasing
Beijing Langshiyu Business Management Co. LTD.*# 北京朗诗寓商业 管理有限公司#	PRC	RMB12,270,000.00	-	100	-	Leasing
Langshiyu(Shen zhen) Business Management Co. LTD.*# 朗诗寓商业管理 (深圳)有限公 司#	PRC	RMB 2,180,000.00	-	100	-	Leasing
Hangzhou Langrong Investment Co. LTD.*# 杭州朗荣投资有 限公司#	PRC	RMB 44,530,000.00	-	100	100	Leasing
Shanghai Langsong Industrial Co. LTD.*# 上海朗松实业有 限公司#(note1)	PRC	RMB120,000,000.00	-	100	100	Leasing
Nanjing Langshiyu Business Management Co. LTD.*# 南京朗诗寓商业 管理有限公司	PRC	RMB50,000,000.00	-	100	-	Leasing

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Chengdu Langming Real Estate Co. LTD.*# 成都朗铭置业有限公司#(note1)	PRC	RMB8,000,000.00	-	100	100	Property development
Chengdu Lansheng Enterprise Management Consulting Co. LTD.*# 成都朗昇企业管理咨询有限公司#	PRC	Subscription	-	100	-	Investment holding
Landsea Holdings Corporation	US	US\$158,873,331	-	100	100	Investment holding
SF Vale LLC(note2)	US	US\$9,000,000	-	5	5	Investment holding
LS- Jordan Ranch LLC	US	US\$19,900,870	-	100	100	Real estate development and sales US

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
159 Aliso Ridge Loop LLC	US	US\$4,004,043	-	100	100	Sell real estate held for development US
LS-LA Simi LLC	US	US\$21,786,756	-	100	100	Real estate development and sales US
LS-OC Portola LLC	US	US\$102,849,956	-	100	100	Real estate development and sales US
LS-Walnut Creek LLC	US	US\$12,945,233	-	100	100	Real estate development and sales US
LS-NJ Port Imperial LLC	US	US\$96,335,191	-	100	100	Real estate development and sales - New Jersey
LS-Sunnyvale LLC	US	US\$133,269,944	-	71	71	Real estate development and sales - California
Long City Ventures Limited	BVI	US\$50,000	-	100	100	Property development
Epic China Limited	BVI	US\$50,000	100	100	100	Investment holding
Landsea Equity LLC	Delaware	US\$51,900,000	-	100	100	Investment holding

Limited liability company registered in the PRC

* For identification purpose only

Note1 Senior private notes are guaranteed by these shares of the companies (note 29).

Note2 The Group is the only managing member of the Company.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

44 Associates

Particulars of the Group's associates as at 31 December 2017 are as follows:

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
杭州万业置业有限公司#Hangzhou Wanye Property Co., Ltd.* #	PRC	34	Property development
苏州科技城朗诗置业有限公司# Suzhou Science and Technology Town Landsea Property Co., Ltd.*#	PRC	20	Property development
南京招商兴盛房地产有限公司# Nanjing Merchant Kingsheng Property Development Co., Ltd.*#	PRC	30	Property development
南京奥建置业有限公司# Nanjing Aojian Properties Co., Ltd.*# (a)	PRC	12.97	Property development
南京学衡置业有限公司# Nanjing Xueheng Properties Co., Ltd.*#	PRC	49.9	Property development
成都辰诗置业有限公司# Chengdu Chenshi Properties Co., Ltd.*#	PRC	25	Property development
杭州朗优房地产开发有限公司# Hangzhou Langyou Properties Development Limited*#	PRC	49	Property development
杭州朗宁投资有限公司#Hangzhou Langning Investment Limited*#	PRC	27	Investment holding
成都太行瑞宏房地产开发有限公司# Chengdu Taihang Ruihong Properties Development Limited*# (a)	PRC	9.91	Property development
成都城峰企业管理咨询有限公司 Chengdu Chengfeng Enterprise Management and Consultant Limited*#	PRC	33	Investment holding
寰安置业(成都)有限公司# Allgreen Properties (Chengdu) Pte.Ltd.*#	PRC	33	Property development
浙江天元房地产开发有限公司#Zhejiang Tianyuan Properties Development Company Limited*#	PRC	40	Property development
海宁朗宏房地产开发有限公司#Haining Lanhong Real Estate Development Co., Ltd.*#(b)	PRC	80	Property development
苏州乾道实业有限公司#Suzhou Qian dao Industrial Co., LTD.*#	PRC	19	Property development
南京旭晟辉企业管理咨询有限公司#Nanjing Xushenghui Enterprise Management Consulting Co., LTD.*#	PRC	40	Investment holding

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****44 Associates (Continued)**

Particulars of the Group's associates as at 31 December 2017 are as follows:

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
南京颐成房地产开发有限公司# Nanjing Yicheng Real Estate Development Co. LTD.*#	PRC	20	Property development
江阴朗晟房地产开发有限公司# Jiangyin Lansheng Real Estate Development Co. LTD.*#	PRC	19	Property development
朗诗荣达（北京）投资管理有限公司# Landsea Rongda (Beijing) Investment Management Co. LTD.	PRC	20	Investment holding

Limited liability company registered in the PRC
* For identification purpose only

- (a) The Group has one board seat in Nanjing Aojian Properties Co., Ltd. and Chengdu Taihang Ruihong Properties Development Limited, respectively.
- (b) According to the co-operation agreement with a third party, the Group only has significant influence in the entity, the Group account it as interest in associate.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

45 Joint ventures

Particulars of the Group's joint ventures as at 31 December 2017 are as follows:

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
南京朗潤房地產開發有限公司# Nanjing Langrun Property Development Company Limited#	PRC	50.1	Property development
蘇州朗宏置業有限公司# Suzhou Langhong Property Limited*#	PRC	51.0	Property development
Silver Knight Global Limited (HK)	Hong Kong	38.46	Investment holding
杭州朗平置業有限公司# Hangzhou Langping Property Co., Ltd.*#	PRC	50	Property development
蘇州高铁新城朗詩置業有限公司 # Suzhou Gaotie Xincheng Landsea Properties Co., Ltd.*#	PRC	51	Property development
深圳朗信合投資中心（有限合夥） # Shenzhen Langxinhe Investment Company (Limited Partnership)*#	PRC	23	Investment holding
武漢朗詩長安投資有限公司# Wuhan Changan Investment Limited*#	PRC	60	Investment holding
LS-Boston Point LLC	US	50	JV with Ping An - invested in Boston project
湖北供銷徐東民生廣場置業有限公司# Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited #*#	PRC	30	Property development
中福樂齡（天津）置業有限公司# Zhongfuleling (Tianjin) Real Estate Co., Ltd.*#	PRC	35	Property development
中福頤樂（天津）置業有限公司# Zhongfuyile (Tianjin) Real Estate Co., Ltd.*#	PRC	35	Property development
成都尚高投資有限公司# Chengdu Shanggao Investment Co., Limited *#	PRC	50	Property development
重慶星德房地產開發有限公司# Chongqing Xingde Real Estate Development Co. LTD.*#	PRC	25.5	Property development

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

45 Joint ventures (Continued)

Particulars of the Group's joint ventures as at 31 December 2017 are as follows:

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
成都朗辉企业管理咨询有限公司# Chengdu Langhui Corporate Management and Consulting Co., Ltd.*#	PRC	50	Investment holding
成都汉飞房地产开发有限公司# Chengdu Hanfei Properties Development Co., Ltd.*#	PRC	50	Property development
杭州朗正投资有限公司#Hangzhou Langzheng Investment Limited.*#	PRC	50	Property development
嘉兴朗达一号投资合伙企业（有限合伙）# Jiaxin Langda I Investment Partnership (Limited Partnership). *#	PRC	30	Investment holding
嘉兴朗达二号投资合伙企业（有限合伙）# Jiaxin Langda II Investment Partnership (Limited Partnership). *#	PRC	30	Investment holding
上海中城乾念投资中心（有限合伙）# Shanghai Zhongcheng Qiannian Investment Company (Limited Partnership). *#	PRC	50	Investment holding
天津朗信投资管理有限公司# Tianjin Langxin investment management Co., Ltd.*#	PRC	51	Investment holding
上海著久企业管理咨询有限公司# Shanghai Zhujiu Enterprise Management Consulting Co., Ltd.*#	PRC	50	Investment holding
宜兴美晟置业有限公司#(Yixing Meisheng Real Estate Co., Ltd.)*#	PRC	51	Property development
肥东皖新文化产业投资有限公司# Feidong Wanxin Cultural Industry Investment Co., Ltd.*#	PRC	10	Investment holding
合肥皖新朗诗文化投资有限公司# Hefei Wanxin Cultural Investment Co., Ltd.*#	PRC	25	Investment holding
上海朗诗深绿投资企业（有限合伙）# Shanghai Landsea Shenlv Investment Enterprise (limited partnership)*#	PRC	5.44	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

45 Joint ventures (Continued)

Particulars of the Group's joint ventures as at 31 December 2017 are as follows:

Name	Place of establishment / operations	Percentage of ownership interests (%)	Principal activities
亚太经贸联合有限公司 Asia Pacific Business Link Limited*	Hong Kong	38.46	Property development
上海亚太国际房地产有限公司# Shanghai Asia Pacific International Real Estate Co.,LTD.*#	PRC	38.46	Property development
LS-NJ Port Imperial JV LLC*	USA	51	Property development
LS-LIA Manager LLC	USA	50	Management services
LS-LIA Manager II LLC	USA	50	Management services
LS-LIA Manager III LLC	USA	50	Management services
LS-LIA Manager IV LLC	USA	50	Management services

Limited liability company registered in the PRC
* For identification purpose only

46 Summarised financial information on subsidiaries with material non-controlling interests

The total non-controlling interests as at 31 December 2017 were approximately RMB206,122,000, of which approximately RMB231,637,000 were attributed as below for Suzhou Langkun Property Limited

Summarised statements of balance sheet

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current		
Assets	2,350,624	2,718,592
Liabilities	(1,816,969)	(2,293,163)
Total current net assets	<u>533,655</u>	<u>425,429</u>
Non-current		
Assets	9,094	7,620
Liabilities	(28,000)	(247,000)
Total non-current net assets	<u>(18,906)</u>	<u>(239,380)</u>
Net assets	<u>514,749</u>	<u>186,049</u>
Accumulated non-controlling interest	<u>231,637</u>	<u>83,722</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

46 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statements of comprehensive income

	31 December 2017 RMB'000	31 December 2016 RMB'000
Revenue	1,254,315	785,240
Profit before income tax	428,632	134,747
Income tax expense	99,932	33,762
Total profit	<u>328,700</u>	<u>100,985</u>
Total comprehensive income attributable to non-controlling interest	<u>147,915</u>	<u>45,443</u>
Dividend paid to non-controlling interest	<u>-</u>	<u>-</u>

Summarised cash flows

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Net cash generated from/(used in) operating activities	240,717	(196,144)
Net cash generated from/(used in) investing activities	25,190	(16)
Net cash (used in)/generated from financing activities	<u>(313,045)</u>	<u>248,472</u>
Net (decrease)/increase in cash and cash equivalents	(47,138)	52,312
Cash and cash equivalents at year beginning	<u>168,610</u>	<u>116,298</u>
Effect of currency translation on cash and cash equivalents	-	-
Cash and cash equivalents at year end	<u>121,472</u>	<u>168,610</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

47 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets		
Investments in subsidiaries	399,089	78,126
Investments in joint ventures	129,701	123,755
	<u>528,790</u>	<u>201,881</u>
Current assets		
Other receivables, prepayments and deposits	415	2,350
Amounts due from subsidiaries	4,405,246	4,120,585
Restricted cash	-	1,325
Cash and cash equivalents	8,823	13,148
	<u>4,414,484</u>	<u>4,137,408</u>
Total assets	<u><u>4,943,274</u></u>	<u><u>4,339,289</u></u>
Current liabilities		
Creditors and accruals	17,559	3,355
Amounts due to subsidiaries	2,799,566	1,985,429
Borrowings	1,002,958	292,156
	<u>3,820,083</u>	<u>2,280,940</u>
Non-current liabilities		
Borrowings	213,990	685,747
Total liabilities	<u><u>4,034,073</u></u>	<u><u>2,966,687</u></u>
Equity		
Share capital	31,800	31,800
Convertible perpetual securities	Note (a) 495,425	484,204
Reserves	Note (a) 381,976	856,598
Total equity	<u><u>909,201</u></u>	<u><u>1,372,602</u></u>
Total liabilities and equity	<u><u>4,943,274</u></u>	<u><u>4,339,289</u></u>

The balance sheet of the Company was approved by the Board of Directors on 28 March 2018 and was signed on its behalf

Xiang Jiong
Director

Shen Leying
Director

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note (a) Convertible perpetual securities and reserves movement of the Company

	Convertible perpetual securities RMB'000	Reserves RMB'000 (a)	Total RMB'000
At 1 January 2016	110,054	640,212	750,266
Exchange difference arising from translation of foreign operation	-	153,219	153,219
Loss for the year	-	(157,272)	(157,272)
Total comprehensive loss for the year	-	(4,053)	(4,053)
Issuance of shares	-	360,943	360,943
Shares held for restricted share award scheme	-	1,846	1,846
Employee share based compensation	-	10,245	10,245
Issuance of convertible perpetual securities (note 34)	363,847	-	363,847
Accrued distribution to holders of convertible perpetual securities	18,661	(18,661)	-
Share premium reduction	-	-	-
Distributions to holders of convertible perpetual securities	(8,358)	-	(8,358)
Dividend	-	(133,934)	(133,934)
Subtotal of transaction with shareholder	374,150	220,439	594,589
At 31 December 2016	484,204	856,598	1,340,802

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note (a) Convertible perpetual securities and reserves movement of the Company (Continued)

	Convertible perpetual securities RMB'000	Reserve RMB'000 (b)	Total RMB'000
At 1 January 2017	484,204	856,598	1,340,802
Exchange difference arising from translation of foreign operation	-	(76,929)	(76,929)
Loss for the year	-	(232,789)	(232,789)
Total comprehensive loss for the year	-	(309,718)	(309,718)
Shares held for restricted share award scheme	-	(6,543)	(6,543)
Accrued distribution to holders of convertible perpetual securities	19,679	(19,679)	-
Share premium reduction	-	-	-
Distributions to holders of convertible perpetual securities	(8,458)	-	(8,458)
Dividend	-	(138,682)	(138,682)
Subtotal of transaction with shareholders	11,221	(164,904)	(153,683)
At 31 December 2017	495,425	381,976	877,401

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

(i) Reserves movement of the Company (Continued)

	Share premium RMB'000	Translation reserve RMB'000	Share based compensation reserve RMB'000	Employee share trust RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	751,108	(34,905)	9,555	(30,753)	23,185	-	(77,978)	640,212
Exchange difference arising from translation of foreign operation	-	153,219	-	-	-	-	-	153,219
Loss for the year	-	-	-	-	-	-	(157,272)	(157,272)
Total comprehensive loss for the year	-	153,219	-	-	-	-	(157,272)	(4,053)
Issuance of shares	360,943	-	-	-	-	-	-	360,943
Shares held for restricted share award scheme	-	-	-	1,846	-	-	-	1,846
Employee share based compensation	-	-	10,245	-	-	-	-	10,245
Accrued distribution to holders of convertible perpetual securities	-	-	-	-	-	-	(18,661)	(18,661)
Share premium reduction	(400,000)	-	-	-	-	248,645	151,355	-
Dividend	-	-	-	-	-	(133,934)	-	(133,934)
Subtotal of transaction with shareholders	(39,057)	153,219	10,245	1,846	-	114,711	(24,578)	216,386
At 31 December 2016	712,051	118,314	19,800	(28,907)	23,185	114,711	(102,556)	856,598

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

(i) Reserves movement of the Company (Continued)

	Share premium	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	712,051	118,314	19,800	(28,907)	23,185	114,711	(102,556)	856,598
Exchange difference arising from translation of foreign operation	-	(76,929)	-	-	-	-	-	(76,929)
Loss for the year	-	-	-	-	-	-	(232,789)	(232,789)
Total comprehensive loss for the year	-	(76,929)	-	-	-	-	(232,789)	(309,718)
Issuance of shares	-	-	-	-	-	-	-	-
Shares held for restricted share award scheme	-	-	-	(6,543)	-	-	-	(6,543)
Accrued distribution to holders of convertible perpetual securities	-	-	-	-	-	-	(19,679)	(19,679)
Share premium reduction	(500,000)	-	-	-	-	500,000	-	-
Dividend	-	-	-	-	-	(138,682)	-	(138,682)
Subtotal of transaction with shareholders	(500,000)	-	-	(6,543)	-	361,318	(19,679)	(164,904)
At 31 December 2017	212,051	41,385	19,800	(35,450)	23,185	476,029	(355,024)	381,976

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

48 Subsequent events

- (i) On 7 February 2018, Shanghai Langqing and Nanjing Langming, wholly-owned subsidiaries of the Company, entered into the Transfer Agreement with CITIC Capital and Pingan Heding, pursuant to which (i) CITIC Capital conditionally agreed to sell and Shanghai Langqing conditionally agreed to purchase the entire Property Share of General Partner of the Partnership at the consideration of RMB10,000; and (ii) Pingan Heding conditionally agreed to sell and Nanjing Langming conditionally agreed to purchase the entire Property Share of Limited Partner of the Partnership at the consideration of RMB221,000,000.
- (ii) On 28 February 2018, Landsea Green Properties Co., Ltd. changed its name to Landsea Green Group Co., Ltd.

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



羅兵咸永道

To the shareholders of Landsea Green Properties Co., Ltd.
(incorporated in Bermuda with limited liability)

致朗詩綠色地產有限公司股東
(於百慕達註冊成立之有限公司)

OPINION WHAT WE HAVE AUDITED

The consolidated financial statements of Landsea Green Properties Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 242, which comprise:

意見
我們已審計的內容
朗詩綠色地產有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)列載於第103至242頁的綜合財務報表，包括：

- the consolidated balance sheet as at 31 December 2016;
 - the consolidated statement of comprehensive income for the year then ended;
 - the consolidated statement of changes in equity for the year then ended;
 - the consolidated statement of cash flows for the year then ended; and
 - the notes to the consolidated financial statements, which include a summary of significant accounting policies.
- 於二零一六年十二月三十一日的綜合資產負債表；
 - 截至該日止年度的綜合全面收益表；
 - 截至該日止年度的綜合權益變動表；
 - 截至該日止年度的綜合現金流量表；及
 - 綜合財務報表附註，包括主要會計政策概要。

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OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

我們的意見

我們認為，該等綜合財務報表已根據香港會計師公會頒佈的《香港財務報告準則》真實而中肯地反映了貴集團於二零一六年十二月三十一日的綜合財務狀況及其截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港《公司條例》的披露規定妥為擬備。

意見的基礎

我們已根據香港會計師公會頒佈的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。

我們相信，我們所獲得的審計憑證能充足及適當地為我們的意見提供基礎。

獨立性

根據香港會計師公會頒佈的《專業會計師道德守則》(以下簡稱「守則」)，我們獨立於貴集團，並已履行守則中的其他專業道德責任。

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本年綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

Key Audit Matter

關鍵審計事項

Revenue recognition for management service

管理服務收入確認

Refer to note 3.21 (Accounting policy for revenue recognition), note 5 (vi) (Critical accounting estimates and judgement for revenue recognition for property development management services fees) and note 6 (Revenue) of consolidation financial statements.

請參閱綜合財務報表附註3.21(收入確認的會計政策)、附註5(vi)(項目開發管理服務費收入確認的關鍵會計估計及判斷)及附註6(收入)。

For the year ended 31 December 2016, the Group recorded revenue from management service amounted to RMB269 million, representing approximately 6% of the Group's total revenue.

截至二零一六年十二月三十一日止年度，貴集團的管理服務收入為人民幣269百萬元，相當於貴集團總收入約6%。

The Group provides management service contracts for both floating and fixed fees and revenue is recognised by using the percentage of completion method. Significant accounting estimate is involved in the determination of percentage of completion, in both the cost budget and the projected sales and there is significant audit effort on revenue.

貴集團就浮動及固定收費訂立管理服務合約，採用完成百分比法確認收入。釐定完成百分比時涉及重大會計估計，包括成本預算及估計銷售額，該等收入相關審計工作量非常重大。

We therefore consider the revenue recognition for management service is a Key Audit Matter.

因此，我們認為管理服務收入確認為關鍵審計事項。

How our audit addressed the Key Audit Matter

我們的審計如何處理關鍵審計事項

We understood, evaluated and tested the key controls over revenue recognition for management service.

我們了解、評估及檢驗管理服務收入確認所用主要控制因素。

We assessed if the percentage of completion used is reasonable and consistently applied. In respect of cost incurred and cost to completion, we tested actual costs incurred to supporting evidence, performed site visit to project, and agreed the cost budget to contracts on a sample basis.

我們評估所用完成百分比是否合理且貫徹應用。關於已產生成本及竣工成本，我們抽樣檢查實際產生成本至支持性證據，進行項目實地考察，及檢查實際成本與合約協定總成本是否相符。

We assessed the reasonableness and sensitivity of management estimation for cost to completion with comparison to similar projects of the Group, actual costs variance to budget by stage and available external information and evidences.

我們通過比較本集團的類似項目、各階段實際成本與預算之間的差異和現有外界資料及證據評估管理層對竣工成本之估計的合理性及敏感性。

For estimation in respect of projected sales, we compared projected sales volume and price to similar projects and available market data including registered selling prices for transaction, and also offer prices of property nearby with similar characteristics.

預計銷售估計方面，我們比較類似項目的預計銷售額及價格和交易所定價及特徵相若的鄰近項目報價等現有市場數據。

We considered the accounting estimations used in revenue recognition for management services were supported by available evidence.

我們認為現有證據能夠支持管理服務收入確認所採用的會計估計。

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

其他信息

貴公司董事須對其他信息負責。其他信息包括年報內的所有信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。

基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事及審計委員會就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》的披露規定擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審計委員會須負責監督貴集團的財務報告過程。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅按照百慕達一九八一年《公司法》第90條向閣下（作為整體）報告我們的意見，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。合理保證是高水平的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部控制，以設計適當的審計程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

除其他事項外，我們與審計委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

我們還向審計委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S. C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2017

從與審計委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是關瑞翔。

羅兵咸永道會計師事務所
執業會計師

香港，二零一七年三月二十四日

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

For the year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		Note	2016	2015
		附註	二零一六年	二零一五年
			RMB'000	RMB'000
			人民幣千元	人民幣千元
				(Restated) (經重列)
Revenue	收入	6	4,845,008	1,792,791
Cost of sales and services	銷售及服務成本	10	(4,086,294)	(1,034,158)
Gross profit	毛利		758,714	758,633
Other income	其他收益	8	142,681	34,410
Selling expenses	銷售費用	10	(90,115)	(73,418)
Administrative expenses	行政費用	10	(288,754)	(109,698)
Fair value gain on an investment property	投資性物業的公允價值利得	19	41,750	44,047
Other gains, net	其他利得淨額	9	392,258	81,459
Operating profit	經營利潤		956,534	735,433
Finance costs	財務費用	11	(194,085)	(49,913)
Share of gains/(losses) of associates	應佔聯營公司利得/(虧損)		45,088	(11,085)
Share of gains/(losses) of joint ventures	應佔合營企業利得/(虧損)		24,930	(10,445)
Profit before income tax	除所得稅前利潤		832,467	663,990
Income tax expense	所得稅費用	12	(225,631)	(184,261)
Profit for the year	年度利潤		606,836	479,729
Other comprehensive income	其他全面收益			
Translation differences which may be subsequently recycled to the profit or loss	其後可能計入損益的匯兌差額		(122,282)	(142,446)
Other comprehensive income for the year, net of tax	年度其他全面收益，扣除稅項		(122,282)	(142,446)
Total comprehensive income for the year	年度全面收益總額		484,554	337,283

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

For the year ended 31 December 2016 截至二零一六年十二月三十一日止年度

	Note 附註	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Profit for the year attributable to:	年度利潤歸屬於：		
The owners of the Company	本公司所有者	595,439	485,079
Non-controlling interests	非控制性權益	11,397	(5,350)
		606,836	479,729
Total comprehensive income for the year attributable to:	年度全面收益總額歸屬於：		
The owners of the Company	本公司所有者	454,413	342,633
Non-controlling interests	非控制性權益	30,141	(5,350)
		484,554	337,283
Earnings per share attributable to owners of the Company for the year (expressed in RMB per share)	歸屬於本公司所有者的年度每股收益 (以每股人民幣列示)		
Basic earnings per share	每股基本收益	13 0.147	0.133
Diluted earnings per share	每股稀釋收益	13 0.131	0.118

The notes form an integral part of these consolidated financial statements. 附註構成本綜合財務報表的一部分。

CONSOLIDATED BALANCE SHEET

綜合資產負債表

As at 31 December 2016 於二零一六年十二月三十一日

	Note	2016	2015
	附註	二零一六年	二零一五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated) (經重列)
ASSETS			
Non-current assets			
Investment property	19	290,920	249,170
Property, plant and equipment	20	21,070	13,919
Interests in associates	17	744,099	2,218,144
Interests in joint ventures	18	448,646	695,370
Other receivables, prepayments and deposits	25	425,516	81,783
Deferred tax assets	30	153,609	86,633
Goodwill		9,460	9,460
		2,093,320	3,354,479
Current assets			
Properties held for sale	21	395,323	172,840
Properties under development	23	10,379,261	7,986,633
Inventories	22	23,501	7,123
Deposits for purchase of land		42,000	729,300
Trade receivables	24	233,270	95,404
Other receivables, prepayments and deposits	25	328,934	265,059
Amounts due from related parties	39(a)	818,271	–
Amounts due from non-controlling interests	26	558,000	–
Prepaid taxes		158,394	140,955
Restricted cash	27	215,722	126,854
Cash and cash equivalents	27	2,761,130	1,262,269
		15,913,806	10,786,437
Total assets		18,007,126	14,140,916

CONSOLIDATED BALANCE SHEET

綜合資產負債表

As at 31 December 2016 於二零一六年十二月三十一日

	Note	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
			(Restated) (經重列)
LIABILITIES			
Non-current liabilities			
Borrowings	29	4,815,351	5,775,239
Deferred tax liabilities	30	52,850	42,413
Amounts due to related parties	39(b)	1,787,112	–
Amounts due to non-controlling interests	31	211,492	–
		6,866,805	5,817,652
Current liabilities			
Creditors and accruals	28	1,367,759	783,489
Advanced proceeds received from customers		4,924,805	2,981,820
Amounts due to related parties	39(b)	325,360	1,237,980
Amounts due to non-controlling interests	31	–	45,014
Borrowings	29	1,267,990	1,111,117
Taxation payable		201,691	205,685
		8,087,605	6,365,105
Total liabilities		14,954,410	12,182,757

		Note 附註	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
EQUITY	權益			
Capital and reserves attributable to the owners of the Company	歸屬於本公司所有者的資本及儲備			
Share capital	股本	32	31,800	26,665
Convertible perpetual securities	可換股永久證券	34	484,204	110,054
Reserves	儲備	35	2,384,652	1,781,230
Non-controlling interests	非控制性權益		152,060	40,210
Total equity	總權益		3,052,716	1,958,159
Total liabilities and equity	總負債及權益		18,007,126	14,140,916

The consolidated financial statements on pages 103 to 242 were approved by the Board of Directors on 24 March 2017 and were signed on its behalf.

第103至242頁所載的綜合財務報表已於二零一七年三月二十四日經董事局批准，並由以下人士代表簽署。

Xiang Jiong

向炯
Director
董事

Shen Leying

申樂瑩
Director
董事

The notes form an integral part of these consolidated financial statements.

附註屬於本綜合財務報表的一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

For the year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		Attributable to the owner of the Company 歸屬於本公司所有者					
		Share capital	Convertible perpetual securities (note 34) 可換股永久證券 (附註 34)	Reserves (note 35) 儲備 (附註 35)	Total	Non-controlling interests 非控制性權益	Total
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 January 2015	於二零一五年一月一日	23,939	-	1,311,746	1,335,685	45,560	1,381,245
Business combination between entities under common control	共同控制實體業務合併	-	-	32,494	32,494	-	32,494
At 1 January 2015 (Restated)	於二零一五年一月一日 (經重列)	23,939	-	1,344,240	1,368,179	45,560	1,413,739
Profit for the year	年度利潤	-	-	485,079	485,079	(5,350)	479,729
Other comprehensive income	其他全面收益						
Exchange difference arising from translation of foreign operations	換算海外業務產生的匯兌差額	-	-	(142,446)	(142,446)	-	(142,446)
Total comprehensive income for the year	年度全面收益總額	-	-	342,633	342,633	(5,350)	337,283
Issuance of shares (note 32)	發行股份(附註32)	2,726	-	174,491	177,217	-	177,217
Dividend	股息	-	-	(64,541)	(64,541)	-	(64,541)
Employee share based compensation (note 33)	僱員股權報酬(附註33)	-	-	6,459	6,459	-	6,459
Shares held for share award scheme	就股份獎勵計劃持有的股份	-	-	(21,198)	(21,198)	-	(21,198)
Issuance of convertible perpetual securities (note 34)	發行可換股永久證券 (附註 34)	-	109,200	-	109,200	-	109,200
Accrued distribution to holders of convertible perpetual securities	可換股永久證券持有人應計分派	-	854	(854)	-	-	-
At 31 December 2015 (Restated note 2)	於二零一五年十二月三十一日 (經重列附註 2)	26,665	110,054	1,781,230	1,917,949	40,210	1,958,159

The notes form an integral part of these consolidated financial statements. 附註構成本綜合財務報表的一部分。

		Attributable to the owner of the Company 歸屬於本公司所有者					
		Convertible Share capital	perpetual securities (note 34)	Reserves (note 35)	Total	Non- controlling interests	Total
		可換股 股本	永久證券 (附註 34)	儲備 (附註 35)	總計	非控制性 權益	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2016	於二零一六年一月一日	26,665	110,054	1,779,746	1,916,465	40,210	1,956,675
Business combination between entities under common control	共同控制實體業務合併	-	-	1,484	1,484	-	1,484
At 1 January 2016 (Restated note 2)	於二零一六年一月一日 (經重列附註 2)	26,665	110,054	1,781,230	1,917,949	40,210	1,958,159
Profit for the year	年度利潤	-	-	595,439	595,439	11,397	606,836
Other comprehensive income	其他全面收益						
Exchange difference arising from translation of foreign operations	換算海外業務產生的 匯兌差額	-	-	(141,026)	(141,026)	18,744	(122,282)
Total comprehensive income for the year	年度全面收益總額	-	-	454,413	454,413	30,141	484,554
Issuance of shares (note 32)	發行股份(附註32)	5,135	-	360,493	366,078	-	366,078
Dividend	股息	-	-	(133,934)	(133,934)	-	(133,934)
Employee share based compensation (note 33)	僱員股權報酬(附註33)	-	-	10,245	10,245	-	10,245
Shares held for share award scheme	就股份獎勵計劃持有的股份	-	-	1,846	1,846	-	1,846
Issuance of convertible perpetual securities (note 34)	發行可換股永久證券 (附註 34)	-	363,847	-	363,847	-	363,847
Accrued distribution to holders of convertible perpetual securities (note 34)	可換股永久證券持有人 應計分派(附註34)	-	18,661	(18,661)	-	-	-
Contribution from non-controlling interests	非控制性權益注資	-	-	24,426	24,426	278,509	302,935
Distribution to non-controlling interests	向非控制性權益分派	-	-	-	-	(196,800)	(196,800)
Distributions to holders of convertible perpetual securities	向可換股永久證券持有人 分派	-	(8,358)	-	(8,358)	-	(8,358)
Consideration paid for business combination between entities under common control	共同控制實體業務合併 所付代價	-	-	(95,856)	(95,856)	-	(95,856)
At 31 December 2016	於二零一六年十二月三十一日	31,800	484,204	2,384,652	2,900,656	152,060	3,052,716

The notes form an integral part of these consolidated financial statements. 附註屬於本綜合財務報表的一部分。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

For the year ended 31 December 2016 截至二零一六年十二月三十一日止年度

	Note	2016	2015
	附註	二零一六年	二零一五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated) (經重列)
Cash flows from operating activities			
Net cash generated in operations	38	2,411,562	1,990,169
Income tax paid		(268,764)	(80,694)
Interest paid		(233,477)	(326,705)
PRC land appreciation and other tax prepaid		(116,146)	(120,714)
<i>Net cash generated in operating activities</i>		1,793,175	1,462,056
Cash flows from investing activities			
Increase in other receivables, prepayments and deposits		(338,320)	-
Interest received		14,700	16,265
Purchases of property, plant and equipment		(19,323)	(6,490)
Proceeds from disposal of property, plant and equipment		94	258
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	36	312,559	438,176
Increase in interests in associates		(324,681)	(217,935)
Increase in interests in joint ventures		(124,573)	(219,343)
Decrease/(increase) in amounts due from related parties		1,421,028	(1,136,914)
Payment for acquisition of subsidiaries	2,23	(1,685,994)	-
Increase in amount due from non-controlling interests		(558,000)	-
<i>Net cash used in investing activities</i>		(1,302,510)	(1,125,983)

	Note 附註	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Cash flows from financing activities	融資活動的現金流量		
Decrease in amounts due to non-controlling interests	應付非控制性權益款項減少	(286,754)	(303,300)
Repayment of borrowings	償還借款	(4,315,208)	(3,556,503)
Proceeds from borrowings	借款所得款項	4,579,687	2,920,280
Increase in amount due to related parties	應付關聯方款項增加	1,533,593	463,634
(Repayment of)/proceeds from issuance of senior private notes	優先私募債券之(償還)/發行所得款項	(667,780)	594,777
Interest paid	已付利息	(231,743)	(85,050)
Contribution from non-controlling interests	非控制性權益注資	305,802	–
Increase in amounts due to non-controlling interests	應付非控制性權益款項增加	453,232	–
Dividends paid to owners of the Company	已付本公司所有者的股息	(133,934)	(64,541)
Distribution to non-controlling interests	非控制性權益的分派	(196,800)	–
Issuance of ordinary shares, net of issuance cost	發行普通股，扣除發行成本	(2,714)	177,217
Issuance of convertible perpetual security, net of issuance cost	發行可換股永久證券，扣除發行成本	–	109,200
Distributions to holders of convertible perpetual securities	可換股永久證券持有人的分派	(8,358)	–
Increase in restricted cash	受限制現金增加	(41,459)	–
<i>Net cash generated from financing activities</i>	<i>融資活動所得現金淨額</i>	987,564	255,714
Net increase in cash and cash equivalents	現金及現金等價物增加淨額	1,478,229	591,787

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

For the year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		Note	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
		附註		(Restated) (經重列)
Cash and cash equivalents at 1 January	於一月一日的現金及現金等價物		1,262,269	672,849
Effect of foreign exchange rate changes	外幣匯率變動影響		20,632	(2,367)
Cash and cash equivalents at 31 December	於十二月三十一日的現金及 現金等價物	27	2,761,130	1,262,269

The notes form an integral part of these consolidated financial statements. 附註構成本綜合財務報表的一部分。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

1 GENERAL INFORMATION

Landsea Green Properties Co., Ltd. (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The addresses of its registered office and principal place of business are disclosed in the corporate information to the annual report. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“SEHK”).

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. The Company and its subsidiaries are referred to as the “Group” hereinafter. The Group is principally engaged in property investment and property development and trading.

In the opinion of the directors, the ultimate holding company of the Company is 朗詩集團股份有限公司 (Landsea Group Co., Ltd.), a company established in the People’s Republic of China (the “PRC”).

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”) and were approved for issue by the board of directors on 24 March 2017.

1 一般資料

朗詩綠色地產有限公司(「本公司」)為於百慕達註冊成立的獲豁免有限公司，註冊辦事處地址及主要業務地點於年報的公司資料內披露。本公司股份於香港聯合交易所有限公司(「香港聯交所」)上市。

本公司為投資控股公司，主要附屬公司的業務詳情載於綜合財務報表附註41。本公司及其附屬公司統稱為「本集團」。本集團主要從事房地產投資、房地產開發及買賣。

董事認為，本公司的最終控股公司為朗詩集團股份有限公司，該公司於中華人民共和國(「中國」)成立。

本綜合財務報表以人民幣千元(「人民幣千元」)呈報，並經由董事局於二零一七年三月二十四日批准刊發。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

2 MERGER ACCOUNTING RESTATEMENT

On 29 January 2016, the Company acquired from Landsea International Holding Limited (“Landsea International”) 100% of issued shares of Epic China Limited (“Epic China”) together with the unsecured shareholder’s loans borrowed from Landsea International at a total consideration of RMB718,940,633 (equivalent to approximately HK\$871,140,364) by Epic China, such consideration was settled by the Company by way of issuance of 610,659,269 ordinary shares and HK\$432,687,009 (equivalent to RMB363,847,000) convertible perpetual securities (note 34(b)) to Landsea International.

On 29 January 2016, Shanghai GR and Management Co., Ltd. (“Landsea Investment”), a wholly-owned subsidiary of the Company, acquired from Shanghai Landsea Construction Technological Co., Ltd. (“Landsea Construction”) 100% interests of Shanghai Landsea Planning and Architectural Design Co., Ltd. (“Landsea Design”) for an aggregation consideration of RMB19,500,000.

As Epic China and Landsea Design were controlled by Landsea Group Co., Ltd., which is also the controlling party of the Company, the abovementioned acquisitions are considered as a business combination involving entities under common control and has been accounted for by using merger accounting method. As a result, the consolidated balance sheet as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2015 have been restated to include the results of Epic China and Landsea Design during that year.

2 合併會計重列

於二零一六年一月二十九日，本公司向 Landsea International Holding Limited (「朗詩國際」) 收購 Epic China Limited (「Epic China」) 全部已發行股份及 Epic China 結欠朗詩國際的無抵押股東貸款，總代價為人民幣 718,940,633 元 (相當於約 871,140,364 港元)，已由本公司透過向朗詩國際發行 610,659,269 股普通股及為數 432,687,009 港元 (相當於人民幣 363,847,000 元) 的可換股永久證券 (附註 34(b)) 償付。

於二零一六年一月二十九日，本公司全資附屬公司上海朗詩投資管理有限公司 (「朗詩投資」) 向上海朗詩建築科技有限公司 (「朗詩建築」) 收購上海朗詩規劃建築設計有限公司 (「朗詩設計」) 全部權益，總代價為人民幣 19,500,000 元。

由於朗詩集團股份有限公司控制 Epic China 及朗詩設計，亦是本公司的控股方，故上述收購事項視為涉及受共同控制實體的業務合併，已採用合併會計法入賬。因此，於二零一五年十二月三十一日的綜合資產負債表以及截至二零一五年十二月三十一日止年度的綜合全面收益表、權益變動表及現金流量表已重列，以包括 Epic China 及朗詩設計於該年度的業績。

2 MERGER ACCOUNTING RESTATEMENT

(Continued)

The effect of the merger accounting restatement on the consolidated balance sheet as at 31 December 2015 by line items is as follows:

2 合併會計重列(續)

合併會計重列對二零一五年十二月三十一日綜合資產負債表中各項影響如下：

		As at 31 December 2015 二零一五年十二月三十一日				
		The Group	Epic China	Landsea	Elimination	The Group
		本集團	Epic China	朗詩設計	撤銷	本集團
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(Originally stated)				(Restated)
		(原列)				(經重列)
Assets	資產					
Non-current assets	非流動資產					
Interests in joint ventures	於合營企業的權益	467,012	228,358	-	-	695,370
Other non-current assets	其他非流動資產	2,627,476	17,407	3,383	10,843	2,659,109
		<u>3,094,488</u>	<u>245,765</u>	<u>3,383</u>	<u>10,843</u>	<u>3,354,479</u>
Current assets	流動資產					
Properties under development	開發中房地產	6,157,688	1,834,413	-	(5,468)	7,986,633
Cash and cash equivalents	現金及現金等價物	990,187	268,719	3,363	-	1,262,269
Other current assets	其他流動資產	1,442,255	68,913	27,649	(1,282)	1,527,535
		<u>8,590,130</u>	<u>2,172,045</u>	<u>31,012</u>	<u>(6,750)</u>	<u>10,786,437</u>
Total assets	總資產	<u>11,684,618</u>	<u>2,417,810</u>	<u>34,395</u>	<u>4,093</u>	<u>14,140,916</u>

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

2 MERGER ACCOUNTING RESTATEMENT

(Continued)

The effect of the merger accounting restatement on the consolidated balance sheet as at 31 December 2015 by line items is as follows (Continued):

2 合併會計重列(續)

合併會計重列對二零一五年十二月三十一日綜合資產負債表中各項影響如下(續)：

		As at 31 December 2015				
		二零一五年十二月三十一日				
		Landsea				
	The Group	Epic China	Design	Elimination	The Group	
	本集團	Epic China	朗詩設計	撇銷	本集團	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
	(Originally stated)				(Restated)	
	(原列)				(經重列)	
Liabilities	負債					
Non-current liabilities	非流動負債					
Borrowings	借款	4,444,186	1,331,053	-	-	5,775,239
Other non-current liabilities	其他非流動負債	42,413	-	-	-	42,413
		<u>4,486,599</u>	<u>1,331,053</u>	<u>-</u>	<u>-</u>	<u>5,817,652</u>
Current liabilities	流動負債					
Amounts due to related parties	應付關聯方款項	578,879	659,101	-	-	1,237,980
Borrowings	借款	756,117	355,000	-	-	1,111,117
Advanced proceeds received from customers	向客戶收取的預付款項	2,976,207	5,461	152		2,981,820
Other current liabilities	其他流動負債	930,141	80,374	24,892	(1,219)	1,034,188
		<u>5,241,344</u>	<u>1,099,936</u>	<u>25,044</u>	<u>(1,219)</u>	<u>6,365,105</u>
Total liabilities	總負債	<u>9,727,943</u>	<u>2,430,989</u>	<u>25,044</u>	<u>(1,219)</u>	<u>12,182,757</u>

2 MERGER ACCOUNTING RESTATEMENT

(Continued)

The effect of the merger accounting restatement on the consolidated balance sheet as at 31 December 2015 by line items is as follows (Continued):

2 合併會計重列(續)

合併會計重列對二零一五年十二月三十一日綜合資產負債表中各項影響如下(續)：

		As at 31 December 2015 二零一五年十二月三十一日				
		The Group	Epic China	Landsea Design	Elimination	The Group
		本集團	Epic China	朗詩設計	撤銷	本集團
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(Originally stated)				(Restated)
		(原列)				(經重列)
Equity	權益					
Capital and reserves attributable to the owners of the Company	歸屬於本公司 所有者的資本 及儲備					
Share capital	股本	26,665	-	3,000	(3,000)	26,665
Convertible perpetual securities	可換股永久證券	110,054	-	-	-	110,054
Reserves	儲備	1,779,746	(13,179)	6,351	8,312	1,781,230
		1,916,465	(13,179)	9,351	5,312	1,917,949
Non-controlling interests	非控制性權益	40,210	-	-	-	40,210
Total equity	總權益	<u>1,956,675</u>	<u>(13,179)</u>	<u>9,351</u>	<u>5,312</u>	<u>1,958,159</u>
Total equity and liabilities	總權益及負債	<u>11,684,618</u>	<u>2,417,810</u>	<u>34,395</u>	<u>4,093</u>	<u>14,140,916</u>

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

2 MERGER ACCOUNTING RESTATEMENT

(Continued)

The effect of the merger accounting restatement on the total equity as at 1 January 2015 is as follows:

		As at 1 January 2015 於二零一五年 一月一日 (Originally stated) (原列)	Merger accounting restatement 合併會計重列	As at 1 January 2015 於二零一五年 一月一日 (Restated) (經重列)
Equity	權益			
Share capital	股本	23,939	–	23,939
Reserves	儲備	1,311,746	32,494	1,344,240
		1,335,685	32,494	1,368,179
Non-controlling interests	非控制性權益	45,560	–	45,560
		1,381,245	32,494	1,413,739

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the historical cost convention, as modified by the revaluation of investment property which is carried at fair value.

2 合併會計重列(續)

合併會計重列對二零一五年一月一日總權益影響如下：

		As at 1 January 2015 於二零一五年 一月一日 (Originally stated) (原列)	Merger accounting restatement 合併會計重列	As at 1 January 2015 於二零一五年 一月一日 (Restated) (經重列)
Equity	權益			
Share capital	股本	23,939	–	23,939
Reserves	儲備	1,311,746	32,494	1,344,240
		1,335,685	32,494	1,368,179
Non-controlling interests	非控制性權益	45,560	–	45,560
		1,381,245	32,494	1,413,739

3 主要會計政策摘要

編製本綜合財務報表所應用的主要會計政策載於下文。除另有說明外，此等政策已於所列報的全部年度貫徹應用。

3.1 編製基準

本集團綜合財務報表已按照香港會計師公會所頒佈的香港財務報告準則(「香港財務報告準則」)及根據歷史成本慣例編製，並就按公允價值入賬的投資性物業的重新估值作出修訂。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

During the year ended 31 December 2016, the Group has adopted the following amendments to existing standards which are mandatory for accounting periods beginning on 1 January 2016:

HKFRS 14	Regulatory Deferred Accounts
Amendment to HKFRS 11	Accounting for acquisition of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 27	Equity method in separate financial statements
Annual improvements projects	2012–2014 cycle
HKAS 1 (Amendment)	Disclosure Initiative
Amendments to HKAS34	Interim finance reporting

The adoption of these amendments to existing standards does not have significant impact to the Group's results of operation and financial position.

3 主要會計政策摘要(續)

3.1 編製基準(續)

編製符合香港財務報告準則的財務報表須使用若干關鍵會計估計。管理層亦須在應用本集團會計政策過程中作出判斷。涉及高度判斷或高度複雜性的範疇，或涉及對綜合財務報表作出重大假設及估計的範疇於附註5披露。

截至二零一六年十二月三十一日止年度，本集團已採納以下於二零一六年一月一日開始的會計期間強制生效的現有準則修訂：

香港財務報告準則第14號	監管遞延賬戶
香港財務報告準則第11號修改	收購共同經營權益的會計法
香港會計準則第16號及香港會計準則第38號修改	澄清可接受的折舊及攤銷方法
香港會計準則第27號修改	獨立財務報表的權益法
年度改進項目	二零一二年至二零一四年週期披露計劃
香港會計準則第1號(修改)	
香港會計準則第34號修改	中期財務報告

採納此等現有準則修訂對本集團的經營業績及財務狀況並無重大影響。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

The following are new standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning after 1 January 2016, but have not been early adopted by the Group:

(i) HKFRS 9 "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets and hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities as at 31 December 2016. The accounting for other financial liabilities has not been changed. The derecognition rules have been transferred from HKAS 39 "Financial instruments: recognition and measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. There will be no impact on the Group's consolidated financial statements, as the Group has not undertaken any hedging transactions.

3 主要會計政策摘要(續)

3.1 編製基準(續)

以下為已頒佈的新訂準則及現有準則修訂，與本集團於二零一六年一月一日之後開始的會計期間有關並於有關期間強制生效，惟尚未獲本集團提早採納。

(i) 香港財務報告準則第9號「金融工具」

新準則闡述金融資產及金融負債的分類、計量及終止確認，並推出對沖會計處理的新規則及有關金融資產的新減值模型。

儘管本集團尚未對金融資產的分類及計量進行詳細評估，但該等資產的會計處理將無變動。

由於新規則僅影響指定為按公允價值計入損益負債的會計處理，而於二零一六年十二月三十一日本集團並無該等負債，本集團金融負債的會計處理將不會受影響。其他金融負債的會計處理並無變化。終止確認的規則已由香港會計準則第39號「金融工具：確認及計量」轉移且並無變動。

新對沖會計規則把對沖工具的會計處理調整至更貼近本集團風險管理的作法。由於該準則引入更以原則為基礎的方法，作為一般規則，可能將有更多合資格作對沖會計處理的對沖關係。由於本集團並無進行任何對沖交易，本集團綜合財務報表將不受影響。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(i) HKFRS 9 “Financial instruments” (Continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 “Revenue from contracts with customers”, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

3 主要會計政策摘要(續)

3.1 編製基準(續)

(i) 香港財務報告準則第9號「金融工具」(續)

新減值模型要求基於預期信用虧損，而非香港會計準則第39號下僅基於已產生信用虧損確認減值撥備。該規定適用於按攤銷成本分類的金融資產、按公允價值計入其他全面收益的債務工具、香港財務報告準則第15號「客戶合約收入」的合約資產、應收租賃款、貸款承擔及若干財務擔保合約。儘管本集團尚未就新模型可能對其減值撥備造成的影響進行詳細評估，惟其可能導致提前確認信用虧損。

新準則亦引入延伸的披露要求及呈列方式變動。該等變動預期將更改本集團有關其金融工具披露的性質及程度，尤其於採納新準則的年度。

香港財務報告準則第9號須於二零一八年一月一日或之後開始的財政年度應用。本集團不擬在生效日期前採納香港財務報告準則第9號。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(ii) HKFRS 15 “Revenue from contracts with customers”

The HKASB has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue, and
- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognized as an asset under HKFRS 15.

At this stage, the group is not able to estimate the impact of the new rules on the group’s financial statements. The group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

3 主要會計政策摘要(續)

3.1 編製基準(續)

(ii) 香港財務報告準則第15號「客戶合約收入」

香港會計準則委員會已發佈收入確認的新準則。此將取代香港會計準則第18號(涵蓋貨品和服務合約)和香港會計準則第11號(涵蓋建造合約)。新準則建基的原則為收入在貨品或服務的控制權轉移至客戶後確認。此準則容許全面追溯採納或經修改追溯方式採納。

管理層正評估應用新準則對本集團財務報表的影響，已識別以下方面可能會受影響：

- 服務收入 — 應用香港財務報告準則第15號或會導致識別獨立履約責任而影響收入確認的時間，及
- 履行合約產生的若干成本的會計處理 — 若干目前支銷的成本可能需根據香港財務報告準則第15號確認為資產。

於此階段，本集團無法估計新規則對本集團財務報表的影響。本集團將對未來十二個月的影響進行更詳細評估。

香港財務報告準則第15號須於二零一八年一月一日或之後開始的財政年度強制採用。於此階段，本集團不擬於其生效日前採納該準則。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued) (iii)

		Effective for annual periods beginning on or after
Amendments to HKFRS2	Classification and measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statements of cash flows	1 January 2017
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3.2 SUBSIDIARIES

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of December.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3 主要會計政策摘要(續)

3.1 編製基準(續) (iii)

		於以下日期或 之後開始的 年度生效
香港財務報告準則第2號修改	以股份為基礎的付款交易之分類與計量	二零一八年一月一日
香港會計準則第12號修改	所得稅	二零一七年一月一日
香港會計準則第7號修改	現金流量表	二零一七年一月一日
香港財務報告準則第16號	租賃	二零一九年一月一日
香港財務報告準則第10號及香港會計準則第28號修改	投資者與其聯營公司或合營企業之間的資產出售或注資	待定

本集團將於上述新訂準則及現有準則修訂生效時採納該等準則及修訂。本集團已著手評估該等準則及修訂對本集團的影響，惟未能確定該等準則及修訂會否對經營業績及財務狀況造成重大影響。

3.2 附屬公司

(i) 綜合賬目

綜合財務報表包括本公司及所有附屬公司截至十二月底的財務報表。

附屬公司指本集團對其擁有控制權的實體(包括特殊目的實體)。當本集團因參與該實體而承擔可變回報的風險或享有可變回報的權益，並有能力透過對該實體的權力影響該等回報時，本集團即控制該實體。附屬公司在控制權轉移至本集團當日起綜合入賬，並於控制權終止當日起不再綜合入賬。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 SUBSIDIARIES (Continued)

(i) Consolidation (Continued)

(a) Merger accounting for business combination involving entities under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserve. Any direct transaction cost attributable to the business combination is recorded in the consolidated income statement in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments for the business combination are recorded in the initial measurement of the equity instruments respectively.

3 主要會計政策摘要(續)

3.2 附屬公司(續)

(i) 綜合賬目(續)

(a) 涉及受共同控制實體之業務合併的合併會計處理

受共同控制的業務合併指合併實體於合併前後均受同一方或相同多方控制(非暫時性)的合併。

收購方按賬面值計量已付代價及取得的淨資產。取得的淨資產賬面值與已付代價賬面值之差額計入其他儲備。業務合併應佔任何直接交易成本計入當期綜合收益表。然而，就業務合併發行股本工具產生的手續費、佣金及其他開支分別於初步計量股本工具時入賬。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 SUBSIDIARIES (Continued)

(i) Consolidation (Continued)

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

(c) Change in ownership interests in subsidiary without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3 主要會計政策摘要(續)

3.2 附屬公司(續)

(i) 綜合賬目(續)

(b) 業務合併

本集團採用收購法將業務合併入賬。收購附屬公司轉讓的代價為被收購方前擁有人所轉讓資產、所產生負債及本集團所發行股權的公允價值。所轉讓代價包括或然代價安排產生的任何資產或負債的公允價值。業務合併中收購的可識別資產、承擔的負債及或然負債，初步以彼等於收購日期的公允價值計量。

收購相關成本於產生時支銷。

(c) 並無導致控制權變動的附屬公司擁有權權益變動

與非控制性權益的不導致失去控制權的交易入賬列作權益交易 — 即與附屬公司所有者以彼等為所有者的身份進行的交易。所付任何代價公允價值與所收購附屬公司淨資產賬面值相關部分之間的差額於權益入賬。向非控制性權益出售所產生的利得或虧損亦於權益入賬。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 SUBSIDIARIES (Continued)

(i) Consolidation (Continued)

(d) Disposal of subsidiary

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3 主要會計政策摘要(續)

3.2 附屬公司(續)

(i) 綜合賬目(續)

(d) 出售附屬公司

當本集團不再擁有控制權，於實體的任何保留權益按失去控制權當日的公允價值重新計量，有關賬面值變動在損益中確認。就其後入賬列作聯營公司、合營企業或金融資產的保留權益，公允價值為初始賬面值。此外，先前於其他全面收益確認與該實體有關的任何金額按猶如本集團已直接出售有關資產或負債的方式入賬。此舉意味先前在其他全面收益確認的金額按適用香港財務報告準則規定／許可重新分類至損益或轉撥至另一類權益。

集團內公司間交易、結餘及集團公司間交易的未變現利得會予對銷。除非交易提供證據顯示所轉讓資產已減值，否則未變現虧損亦會對銷。附屬公司的會計政策已於必要時作出調整，確保與本集團所採納的政策一致。

(ii) 獨立財務報表

於附屬公司的投資按成本扣除減值入賬。成本包括投資的直接應佔成本。附屬公司的業績由本公司按已收及應收股息入賬。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 SUBSIDIARIES (Continued)

(ii) Separate financial statements (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 ASSOCIATES

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the profit or loss where appropriate.

3 主要會計政策摘要(續)

3.2 附屬公司(續)

(ii) 獨立財務報表(續)

倘收到附屬公司投資的股息時，所收股息超過附屬公司於宣派股息期間的全面收益總額，或倘該投資於單獨財務報表內的賬面值超過投資對象淨資產(包括商譽)於綜合財務報表內的賬面值時，則須對該投資進行減值測試。

3.3 聯營公司

聯營公司指所有本集團對其有重大影響力而無控制權的實體，通常附帶有20%至50%投票權的股權。於聯營公司的投資以權益會計法入賬。根據權益法，投資初始按成本確認，而賬面值會作調增或調減以確認投資者應佔投資對象於收購日期後的損益。本集團於聯營公司的投資包括收購時已辨認的商譽。

倘於聯營公司的擁有權權益減少但仍保留重大影響，則僅先前已於其他全面收益內確認的按比例應佔金額會於適當情況下重新分類至損益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 ASSOCIATES (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss.

3 主要會計政策摘要(續)

3.3 聯營公司(續)

本集團應佔聯營公司收購後的損益於綜合收益表內確認，而應佔收購後的其他全面收益變動則於其他全面收益確認，並相應調整投資賬面值。倘本集團應佔聯營公司的虧損相等於或超過於聯營公司的權益(包括任何其他無抵押應收款)，本集團不會確認進一步虧損，惟本集團產生法定或推定責任或代表聯營公司付款則除外。

本集團於各報告日期釐定有否任何客觀證據顯示於聯營公司的投資已減值。倘投資已減值，則本集團計算減值，金額為聯營公司可收回金額與賬面值的差額，並於綜合損益表內確認金額。

本集團與聯營公司間上下游交易的利潤及虧損於本集團財務報表內確認，惟僅限於無關連投資者於聯營公司權益的金額。除非交易提供證據顯示所轉讓資產已減值，否則未變現虧損會予對銷。聯營公司的會計政策已於必要時作出變動，確保與本集團所採納的政策一致。

於聯營公司的股本權益稀釋所產生的利得或虧損於綜合損益表內確認。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 JOINT ARRANGEMENT

The Group has assessed the nature of its all joint arrangements and determined them to be joint ventures. A joint venture is accounted for using the equity method.

Under the equity method of accounting, interests in a joint venture are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investment in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (including any other unsecured receivables), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.5 SEGMENT REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business and service lines.

3 主要會計政策摘要(續)

3.4 聯合安排

本集團已評估所有聯合安排的性質，並將聯合安排界定為合營企業。合營企業以權益法入賬。

根據權益會計法，於合營企業的權益初始按成本確認，隨後進行調整以確認本集團應佔收購後損益及其他全面收益的變動。本集團於合營企業的投資包括收購時識別的商譽。於收購聯營公司的擁有權時，合營企業成本與本集團應佔合營企業的可識別資產與負債公允價值淨額之間的任何差額均入賬列作商譽。倘本集團應佔合營企業的虧損相等於或超過於合營企業的權益(包括任何其他無抵押應收款)，本集團不會確認進一步虧損，惟本集團產生責任或代表合營企業付款則除外。

本集團與合營企業交易的未變現利得會予對銷，以本集團所持合營企業權益為限。除非有證據顯示交易中所轉讓資產出現減值，否則未變現虧損亦會對銷。合營企業的會計政策已於必要時作出變動，確保與本集團所採納的政策一致。

3.5 分部報告

本集團根據定期向執行董事呈報的內部財務資料確定經營分部及編製分部資料，該等財務資料乃供執行董事決定分配資源至本集團各業務分部及檢討該等業務分部表現的基準。向執行董事呈報的內部財務資料的業務分部按本集團的主要產品及服務類別劃分。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in RMB and the Company’s functional currency is Hong Kong dollars (HK\$).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All foreign exchange gains and losses are presented in consolidated statement of comprehensive income within ‘other gains, net’.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of balance sheet presented are translated at the closing rate at the date of that statement of balance sheet;

3 主要會計政策摘要(續)

3.6 外幣換算

(a) 功能及呈報貨幣

綜合財務報表所列項目均以實體營運所在主要經濟環境的貨幣(「功能貨幣」)計量。綜合財務報表以人民幣呈報，而本公司的功能貨幣為港元(「港元」)。

(b) 交易及結餘

外幣交易採用交易日的現行匯率換算為功能貨幣。結算有關交易所產生的匯兌利得及虧損以及將外幣貨幣資產及負債以年終匯率換算所產生的匯兌利得及虧損於損益內確認。

所有匯兌利得及虧損於綜合全面收益表的「其他利得淨額」呈列。

(c) 集團公司

功能貨幣有別於呈報貨幣的所有集團實體(概無來自嚴重通貨膨脹經濟體的貨幣)的業績及財務狀況均按以下方式換算為呈報貨幣：

- 各資產負債表所呈列的資產與負債按該資產負債表日期的收市匯率換算；

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 FOREIGN CURRENCY TRANSLATION

(Continued)

(c) Group companies (Continued)

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the profit or loss.

3 主要會計政策摘要(續)

3.6 外幣換算(續)

(c) 集團公司(續)

- 各全面收益表的收益及費用按平均匯率換算，除非該平均匯率並非各交易日的現行匯率累積影響的合理約數，在此情況下，收益及費用按各交易日的匯率換算；及
- 所有由此產生的匯兌差額於其他全面收益內確認。

收購海外實體所產生的商譽及公允價值視作該海外實體的資產及負債，並按收市匯率換算。所產生的匯兌差額於其他全面收益內確認。

於出售海外業務(即出售集團於該海外業務的全部權益，或涉及失去包括海外業務的附屬公司的控制權的出售)時，就歸屬於本公司所有者的業務於權益累計的所有匯兌差額重新分類至損益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 INVESTMENT PROPERTY

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in the profit or loss.

3.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the profit or loss during the year in which they are incurred.

3 主要會計政策摘要(續)

3.7 投資性物業

投資性物業(主要包括租賃土地及樓宇)為持作獲得長期租金收益或作資本升值或為上述兩者且並非由本集團佔用的物業。投資性物業亦包括為日後作投資性物業用途而興建或發展的物業。倘符合投資性物業的其他定義,則根據經營租賃持有的土地入賬列作投資性物業。在此情況下,有關經營租賃按猶如其為融資租賃的方式入賬。

投資性物業初始按成本(包括相關交易成本及(如適用)借款成本)計量。於初始確認後,投資性物業按公允價值(即外部估值師於各報告期末所釐定的公開市值)列賬。公允價值按活躍市價得出,當中已就特定資產的性質、地點或狀況的任何差異作出調整(如必要)。倘並無有關資料,則本集團會使用其他估值法,如活躍程度較低市場的近期價格或貼現現金流量預測。公允價值變動於損益確認。

3.8 不動產、工廠及設備

不動產、工廠及設備按歷史成本減累計折舊及累計減值虧損列賬。資產成本包括購買價格及將資產達致運作狀況及地點以供擬定用途的任何直接應佔成本。

後續成本只有在該項目很可能為本集團帶來與之有關的未來經濟利益,且成本能可靠計量時,方會計入資產的賬面值或確認為一項單獨資產(倘適用)。所有其他成本(例如維修及保養費用)在產生的財政年度內於損益扣除。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 PROPERTY, PLANT AND EQUIPMENT

(Continued)

Depreciation is provided to write off the cost of property, plant and equipment to their residual values using the straight-line method over their estimated useful lives:

Leasehold improvements	Over the lease terms, if shorter, or 5 years
Furniture, fixtures and office equipment	3–10 years
Motor vehicles	5–10 years

The assets' residual value and estimated useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

3.9 GOODWILL

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

3 主要會計政策摘要(續)

3.8 不動產、工廠及設備(續)

不動產、工廠及設備的折舊採用以下估計可使用年期將成本按直線法分攤至剩餘價值計算：

租賃樓宇裝修	按租賃年期或5年 (以較短者為準)
傢俱、裝置及辦公設備	3至10年
汽車	5至10年

資產的剩餘價值及可使用年期在各報告日期進行檢討，並於適當時候作出調整。

出售的利得或虧損按銷售所得款與資產賬面值之間的差額釐定，並在損益內確認。

3.9 商譽

收購附屬公司產生的商譽即所轉讓代價、所佔被收購方非控制性權益金額及先前所持被收購方股權於收購日期之公允價值超出所收購可識別淨資產公允價值的差額。

就減值測試而言，業務合併中收購的商譽會分配至預計可從合併協同效應中受益的各現金產生單位或現金產生單位組別。獲分配商譽的各單位或單位組別即實體監控商譽作內部管理之用的最低級別。商譽按經營分部級別監管。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 GOODWILL (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3.11 PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of leasehold land payments, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

3 主要會計政策摘要(續)

3.9 商譽(續)

本集團每年或於有事件發生或情況改變顯示可能出現減值時更頻繁作商譽減值檢討。包含商譽之現金產生單位的賬面值與可收回金額相若，可收回金額為使用價值與公允價值減出售成本之較高者。任何減值會即時確認為開支，其後不會轉回。

3.10 非金融資產的減值

倘有事件發生或情況改變顯示資產的賬面值可能無法收回時，將就須予攤銷的資產進行減值檢討。減值虧損按資產的賬面值超出可收回金額的差額確認。可收回金額以資產的公允價值減出售成本與使用價值兩者的較高者為準。就評估減值而言，資產按可分開識別現金流量的最低級別(現金產生單位)分組。已蒙受減值的非金融資產(商譽除外)在各結算日均就減值是否撥回進行檢討。

3.11 開發中房地產及持作銷售物業

開發中房地產及持作銷售物業按成本及可變現淨值兩者的較低者列賬。物業發展成本包括於施工期間產生的租賃土地付款成本、建築成本及借款成本。於竣工時，物業會轉撥至持作銷售已落成物業。

可變現淨值按預期最終將予變現的價格減適用的變動銷售費用及估計竣工成本計量。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE (Continued)

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.13 FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the balance sheet date. These are classified as non-current assets. The Group's loans and receivables also include trade and other receivables, amounts due from subsidiaries and cash and cash equivalents in the consolidated balance sheet.

3 主要會計政策摘要(續)

3.11 開發中房地產及持作銷售物業(續)

除非預期相關房地產開發項目施工期於正常營運週期之後結束，否則開發中及持作銷售物業分類為流動資產。

3.12 庫存

庫存按成本及可變現淨值兩者的較低者列賬。成本以加權平均基準釐定。可變現淨值為在一般業務過程中的估計售價減適用的變動銷售費用。

3.13 金融資產

(i) 分類

本集團將金融資產分為以下類別：貸款及應收款。分類視乎購入金融資產之目的而釐定。管理層在初始確認時釐定金融資產的分類。

貸款及應收款為具有固定或可確定付款額且在活躍市場上並無報價的非衍生金融資產。此等項目計入流動資產，惟於結算日結束後超過12個月結算或預期將於該等時間結算的金額則分類為非流動資產。本集團的貸款及應收款包括綜合資產負債表內的應收賬款及其他應收款、應收附屬公司款項以及現金及現金等價物。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 FINANCIAL ASSETS (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date: the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3 主要會計政策摘要(續)

3.13 金融資產(續)

(ii) 確認及計量

金融資產的日常買賣於交易日(即本集團承諾購買或出售資產當日)確認。就並非按公允價值計入損益的所有金融資產而言，投資初始按公允價值另加交易成本確認。

(iii) 抵銷金融工具

當有合法可執行權利將已確認金額抵銷並有意按淨額基準結算或同時變現資產及結算負債時，金融資產及負債予以抵銷，並於資產負債表以淨額報告。

(iv) 金融資產減值

本集團於各報告期末評估有否客觀證據證明某項金融資產或某組金融資產經已減值。倘因於初始確認資產後發生的一項或多項事件(「虧損事件」)而出現客觀減值證據，而該(等)虧損事件對一項金融資產或一組金融資產的估計未來現金流量造成能可靠估計的影響，該項金融資產或該組金融資產方視為減值及產生減值虧損。

減值的證據可能包括以下指標：債務人或一組債務人正處於重大財政困難、違約或拖欠利息或本金付款，彼等有可能破產或進行其他財務重組，以及有可觀察數據顯示估計未來現金流量有可計量的減少，例如欠款變動或與違約相關的經濟狀況。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 FINANCIAL ASSETS (Continued)

(iv) Impairment of financial assets (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

3.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.15 SHARE CAPITAL

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3 主要會計政策摘要(續)

3.13 金融資產(續)

(iv) 金融資產減值(續)

就貸款及應收款類別而言，虧損金額按資產賬面值與估計未來現金流量(不包括尚未產生的未來信貸虧損)按金融資產原實際利率貼現的現值兩者的差額計量。資產賬面值予以減少，而虧損金額於綜合全面收益表確認。倘貸款按浮動利率計息，則計量任何減值虧損的貼現率乃根據合約釐定的現行實際利率。在實際運作上，本集團可能採用可觀察的市價以工具的公允價值為基準計量減值。

倘於其後期間減值虧損金額減少，而該減少可客觀地與確認減值後發生的事件(如債務人信貸評級改善)有關，則過往確認的減值虧損撥回於綜合全面收益表確認。

3.14 現金及現金等價物

現金及現金等價物包括銀行及手頭現金、銀行活期存款以及原到期日為三個月或以內並可隨時轉換為已知金額的現金且不存在重大價值變動風險的短期高流通性投資，減去按要求償還的銀行透支，而該等銀行透支乃本集團現金管理的一部分。

3.15 股本

普通股分類為權益。股本按已發行股份的面值釐定。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 SHARE CAPITAL (Continued)

Any transaction costs associated with the issue of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

3.16 PAYABLES

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.17 BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are accounted for on the accrual basis and charged to the profit or loss in the year in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

3 主要會計政策摘要(續)

3.15 股本(續)

任何與發行股份有關的交易成本自股份溢價中扣除，惟以可直接歸屬於股權交易的增量成本為限。

3.16 應付款

應付款為在日常業務過程中向供應商購買商品或服務而應支付的債務。倘應付款於一年或以內(或於正常業務經營週期(如較長))到期，則分類為流動負債。否則，分類為非流動負債。

應付款初始按公允價值確認，其後則以實際利率法按攤銷成本計量。

3.17 借款及借款成本

借款初始按公允價值(扣除已產生的交易成本)確認。借款其後按攤銷成本列賬；所得款項(扣除交易成本)與贖回價值兩者間的任何差額於借款期間以實際利率法在損益內確認。

除非本集團擁有無條件權利可將償還負債的日期遞延至結算日後至少12個月，否則借款分類為流動負債。

借款成本按應計基準入賬並於產生的年度在損益內扣除，惟有關撥資興建或收購未完成資產的成本於施工期間直至建設工程竣工日期資本化為該資產成本的一部分。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 CURRENT AND DEFERRED INCOME TAX

The tax expense for the year comprises current and deferred tax. This is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax also includes PRC land appreciation tax which is levied on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

Deferred income tax is recognised using the liability method, on temporary differences arising from the difference between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3 主要會計政策摘要(續)

3.18 即期及遞延所得稅

年度稅項費用包括即期及遞延稅項。稅項於綜合全面收益表內確認，惟與於其他綜合全面收益或直接於權益內確認的項目有關的稅項則除外，在此情況下，稅項亦分別於其他全面收益或直接於權益內確認。

即期所得稅費用按照本集團經營及產生應課稅收入所在地於結算日已頒佈或已大致頒佈的稅法計算。管理層就適用稅務法規有待詮釋的情況定期評估報稅狀況並於適當情況下基於預期向稅務機關支付的金額作出撥備。

即期所得稅亦包括中國土地增值稅(按土地價值的升幅徵收)，即銷售物業所得款減可扣減開支，包括土地成本、借款成本及所有房地產開發支出。

遞延所得稅乃就資產及負債的稅基與有關資產與負債於綜合財務報表中的賬面值兩者的暫時差額，以負債法確認。然而，倘遞延所得稅產生自交易(業務合併除外)，而當時的交易並無影響會計或應課稅利潤或虧損，則不會列賬。遞延所得稅以於結算日已頒佈或已大致頒佈的稅率及稅法釐定，並預期於變現相關遞延所得稅資產或償還遞延所得稅負債時適用。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 CURRENT AND DEFERRED INCOME TAX

(Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

3.19 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3 主要會計政策摘要(續)

3.18 即期及遞延所得稅(續)

遞延所得稅資產於有未來應課稅利潤可用作抵銷暫時差額時方予確認。

當有法定可執行權利將即期稅項資產與即期稅項負債抵銷，且遞延所得稅涉及稅務機關向同一應課稅實體徵收但擬按淨額基準結算結餘，則可將遞延所得稅資產與負債互相抵銷。

本集團就附屬公司投資產生的應課稅暫時差額作出遞延所得稅負債撥備，除非就遞延所得稅負債而言本集團可控制撥回該暫時差額的時間，且該暫時差額於可預見未來可能不會撥回則作別論。因投資附屬公司安排而產生的可扣減暫時差額確認為遞延所得稅資產，惟倘暫時差額在將來可撥回，且有充足應課稅利潤可抵銷暫時差額則除外。

3.19 撥備

當本集團因過往事件承擔現有法律或推定責任，而解除責任很有可能導致資源流出，且金額能夠可靠計算的情況下，方會確認撥備。概不會就未來經營虧損確認撥備。

倘承擔若干類似責任，於釐定解除責任會否導致資源流出時，將考慮整體責任類別。即使同類責任當中任何一項導致資源流出可能性甚低，亦會確認撥備。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 PROVISIONS (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

3.21 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue from sale of properties held for sale in the ordinary course of business is recognised when all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the properties, which is when the construction of relevant properties has been completed, upon delivery, and collectability of related receivables is reasonably assured;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are sold;
- (iii) the amount of revenue can be measured reliably;

3 主要會計政策摘要(續)

3.19 撥備(續)

撥備採用稅前利率按照預期結算有關責任所需的開支現值計量，該利率反映當時市場對貨幣時間值和有關責任固有風險的評估。隨著時間過去而增加的撥備確認為利息費用。

3.20 經營租賃

凡擁有權所涉及大部分風險及回報由出租人保留的租賃，均列作經營租賃。根據經營租賃所付租金在扣除來自出租人的任何優惠後，在租期以直線法在損益支銷。

3.21 收入確認

收入按已收或應收代價的公允價值計量。當收入金額能夠可靠計量及未來經濟利益有可能流入實體時，本集團將確認收入。

於日常業務過程中，當符合以下條件時，則會確認銷售持作銷售物業收入：

- (i) 本集團將物業擁有權的重大風險及回報轉移予買方，即相關物業的建築工程已竣工、於物業交付時及可合理確保能收取有關應收款項時；
- (ii) 本集團並無保留一般與已售物業擁有權有關的持續管理權或實際控制權；
- (iii) 收入金額能夠可靠地計量；

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財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 REVENUE RECOGNITION (Continued)

- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated balance sheet under current liabilities.

The Group provides property development and management service to its customers which including brand authorisation service, sales management service, green-technical system integration service and management service. The Group recognizes revenue on different types of service by reference to the service's stage of completion at the balance sheet date when the outcome of the rendering of services can be estimated reliably:

- Revenue from brand authorisation, sales management service and green-technical system integration service fees is recognised in accounting period in which the services rendered.
- Revenue from management service associated with both floating and fixed fees is recognised by using the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period.

Rental income under operating leases is recognised on a straight-line method over the term of the relevant lease.

Decoration service income is recognised when the related services are provided.

3 主要會計政策摘要(續)

3.21 收入確認(續)

- (iv) 與交易相關的經濟利益有可能流入本集團；及
- (v) 有關交易產生或將產生的成本能夠可靠地計量。

在符合上述收入確認條件前，向買方收取的按金及分期付款項計入綜合資產負債表的流動負債。

本集團向客戶提供房地產開發及管理服務，包括品牌授權服務、銷售管理服務、綠色技術系統集成服務及管理服務。當提供服務的結果能可靠估計時，本集團參考資產負債表日期服務的完成階段確認各類服務的收入。

- 品牌授權、銷售管理服務及綠色技術系統集成服務費用的收入於提供服務的會計期間確認。
- 與浮動費用及固定費用有關的管理服務收入使用「完成百分比」法釐定特定期間確認的適當金額而確認。

經營租賃的租金收益於相關租期以直線法確認。

裝飾服務收益於提供有關服務時確認。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 REVENUE RECOGNITION (Continued)

Interest income is recognized on a time proportion basis using effective interest method.

Dividend income is recognized when the right to receive payment is established.

3.22 EMPLOYEE BENEFITS

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group participates in defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group's contributions to the defined contribution plans are expensed as incurred and, in most cases, are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

3 主要會計政策摘要(續)

3.21 收入確認(續)

利息收益以實際利率法按時間比例基準確認。

股息收益於收取款項的權利確立時確認。

3.22 僱員福利

(i) 僱員應享假期

僱員獲享的年假在僱員可享有時確認。本集團會對僱員服務至結算日所累積的年假估算負債作出撥備。

僱員獲享的病假及產假直至僱員休假時方予確認。

(ii) 退休金責任

本集團針對全體相關僱員參與界定供款退休福利計劃。該等計劃一般以向政府成立的計劃或信託管理基金支付款項的方式運作。界定供款計劃指本集團以強制、合約或自願基準向獨立實體作出供款的退休金計劃。倘基金並無足夠資產就目前及過往期間的僱員服務向所有僱員支付福利，本集團並無法定或推定責任作出進一步供款。本集團向界定供款計劃所作的供款於發生時支銷，在大部分情況下，不會以沒收於供款悉數歸屬前離開計劃的僱員的供款方式扣減。

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 EMPLOYEE BENEFITS (Continued)

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Restricted share award scheme

The Group operates a restricted share award scheme to recognise the contributions by employees. The fair value of the employee services received in exchange for the grant of restricted share is recognised as employee benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the value of the restricted shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of restricted share awards that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to other comprehensive income.

Employee share trust is established, for the purposes of awarding shares to eligible employees under the restricted share award scheme.

3 主要會計政策摘要(續)

3.22 僱員福利(續)

(iii) 應享花紅

支付花紅的預計成本，於因僱員提供服務而使本集團產生現有法定或推定責任，並能夠可靠估計時確認為負債。花紅計劃的負債預期將於十二個月內償付，並按償付時預期須予支付的金額計算。

(iv) 限制性股份獎勵計劃

本集團設有限制性股份獎勵計劃，以確認僱員的貢獻。僱員提供服務以獲授限制性股份的公允價值確認為僱員福利費用。

於歸屬期內將予支銷的總金額參考獲授限制性股份的價值釐定：

- 包括任何市場表現情況；
- 不包括任何服務及非市場表現歸屬條件的影響；及
- 包括任何非歸屬條件的影響。

總費用於歸屬期內確認，歸屬期指將符合所有特定歸屬條件的期間。

於各結算日，本集團修訂對將予歸屬限制性股份獎勵數目的估計。本集團於損益內確認對原來估計作出修訂的影響(如有)，並在其他全面收益內作出相應調整。

僱員股份信託乃為根據限制性股份獎勵計劃向合資格僱員授出獎勵股份而設。

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 EMPLOYEE BENEFITS (Continued)

(iv) **Restricted share award scheme** (Continued)

The employee share trust is administered by an independent trustee and is funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trust buys the Company's shares in the open market for award to employees.

Upon vesting, the corresponding awards in the share-based compensation reserve will be transferred to the employee share trust for shares awarded to employees.

3.23 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3.24 EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Respective distributions if and when declared are treated as equity dividends.

Convertible perpetual securities issued by the Group that have the above characteristics are classified as equity instruments.

3 主要會計政策摘要(續)

3.22 僱員福利(續)

(iv) **限制性股份獎勵計劃(續)**

僱員股份信託由獨立信託人管理，並由本集團以現金撥付供款，於權益入賬作僱員股份信託供款。僱員股份信託管理人於公開市場購入本公司股份以向僱員作出獎勵。

於歸屬時，以股份為基礎補償儲備內的相應獎勵轉撥至僱員股份信託，以向僱員作出股份獎勵。

3.23 股息分派

向本公司股東分派的股息於本公司股東或董事(如適用)批准股息的期間內，在本集團及本公司的財務報表內確認為負債。

3.24 股本工具

股本工具為證明實體於扣減所有負債後的資產中擁有剩餘權益的任何合約。本集團所發行的股本工具按已收所得款項扣除直接發行成本確認。各自之分派(如有)於宣派時被視為權益股息。

本集團所發行的可換股永久證券具有上述特徵，故分類為股本工具。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants to compensate the current year expenses are recognised in the consolidated statement of comprehensive income in the same year through offsetting the corresponding expenses by the grants to match them with the costs that they are intended to compensate.

3.26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

3 主要會計政策摘要(續)

3.25 政府補助

倘能合理保證可收到政府補助而本集團將遵循所有附帶條件時，則有關政府補助按公允價值確認。補償本年度費用的政府補助通過沖抵相關費用於同年的綜合全面收益表內確認，以與擬用作補償的成本相符。

3.26 或然負債及或然資產

或然負債指因過往事件可能引致的責任，其存在與否僅可透過日後會否發生一宗或多宗本集團不能完全控制的不明朗事件來確定。或然負債亦可能是過往事件所產生的現時責任，但由於可能無需消耗經濟資源或有關責任金額不能可靠計量而未有入賬。

或然負債不予確認，但會於綜合財務報表附註中披露。當消耗資源的可能性變動致使可能消耗資源，則會確認或然負債為撥備。

或然資產指因過往事件可能產生的資產，其存在與否僅可透過日後會否發生一宗或多宗本集團不能完全控制的不明朗事件來確定。

或然資產不予確認，但會於經濟利益可能流入時於綜合財務報表附註中披露。於基本確定流入時確認資產。

4 FINANCIAL RISK MANAGEMENT

4.1 FINANCIAL RISK FACTORS

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk, which result from its operating, investing and financing activities. According to the Group's risk management policies, the financial risks shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Market risk

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates and invests in Hong Kong, United States ("US") and the PRC with most of the transaction denominated and settled in HK\$, US\$ and RMB respectively. Foreign exchange risk mainly arises from certain borrowings and other current liabilities of the Company (with functional currency of HK\$) and the companies located in US (with functional currency of US\$) which are denominated in RMB.

At 31 December 2016, if RMB had weakened/strengthened by 5% against HK\$ with all other variables held constant, pre-tax profit for the year would have been approximately RMB203,870,000 (2015 (Restated): RMB125,350,000) higher/lower, mainly as a result of foreign exchange differences on translation of RMB denominated borrowings and inter-group loans.

4 財務風險管理

4.1 財務風險因素

本集團承受多種財務風險，例如經營、投資及融資活動所產生的市場風險（包括外匯風險及利率風險）、信貸風險及流動資金風險。根據本集團的風險管理政策，管理層應持續評估財務風險，透過考慮現行金融市況及其他相關變數以避免風險過度集中。本集團並無利用任何衍生或其他工具作對沖用途。本集團承受的最重大財務風險闡述如下。

(a) 市場風險

(i) 外匯風險

外幣風險指因外幣匯率變動而導致金融工具的公允價值或未來現金流量出現波動的風險。本集團主要在香港、美國及中國經營業務及投資，當中大部分交易分別以港元、美元及人民幣計值及結算。外匯風險主要因本公司（功能貨幣為港元）及位於美國的公司（功能貨幣為美元）若干以人民幣計值的借款及其他流動負債而產生。

於二零一六年十二月三十一日，倘人民幣兌港元的匯率貶值／升值5%，而所有其他變數維持不變，年度除稅前利潤將增加／減少約人民幣203,870,000元（二零一五年（經重列）：人民幣125,350,000元），主要因換算以人民幣計值的借款與集團內公司間貸款而產生。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group has no significant interest-bearing assets and liabilities other than bank deposits and borrowings. Bank balances and borrowings at floating rates expose the Group to cash flow interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to bank balances which bear floating interest rates. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

At 31 December 2016, if interest rates on bank balances and borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's bank interest income and profit for the year would have been approximately RMB17,157,000 (2015 (Restated): RMB24,388,000) lower/higher. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group mainly arises from bank balances and deposits, trade and other receivables and amounts due from related parties. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

4 財務風險管理(續)

4.1 財務風險因素(續)

(a) 市場風險(續)

(ii) 利率風險

除銀行存款及借款外，本集團並無重大計息資產及負債。以浮動利率計息的銀行結餘與借款令本集團承受現金流量利率風險。本集團就利率變動承受的市場風險主要涉及以浮動利率計息的銀行結餘。管理層監控利率風險並定期進行敏感性分析。

於二零一六年十二月三十一日，倘銀行結餘及借款的利率上升／減少50個基點，而所有其他變數維持不變，本集團銀行利息收入及年度利潤將減少／增加約人民幣17,157,000元(二零一五年(經重列)：人民幣24,388,000元)。敏感性分析乃假設結算日發生利率變動而釐定。

(b) 信貸風險

信貸風險指金融工具的交易對手未能根據金融工具的條款履行責任，令本集團蒙受財務損失的風險。本集團的信貸風險主要因銀行結餘及存款、應收賬款及其他應收款及應收關聯方款項而產生。該等結餘的賬面值即本集團就金融資產所承受的最大信貸風險。管理層已制定信貸政策並持續監控此等信貸風險。

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

The credit risk on Group's cash and cash equivalents is limited because the counterparties are banks with high credit ratings. In respect of trade and other receivables and amounts due from related parties, individual credit evaluations are performed on all debtors. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The Group does not obtain collateral from customers or counterparties in respect of receivable.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and re-sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced. Detailed disclosure of these guarantees is made in note 40.

4 財務風險管理(續)

4.1 財務風險因素(續)

(b) 信貸風險(續)

本集團現金及現金等價物的信貸風險有限，原因為交易對手均為擁有較高信用評級的銀行。就應收賬款及其他應收款及應收關聯方款項而言，須對所有債務人進行個別信貸評估。該等評估主要針對債務人過往到期還款記錄及當前支付能力，並考慮債務人運營所在經濟環境的特定資料。本集團並無就應收款收取客戶或交易對手任何抵押品。

本集團一般為借取按揭貸款以撥資購買物業的客戶向銀行提供擔保，最高以物業總購買價的70%為限。倘買家於擔保期內拖欠償還按揭貸款，承保銀行可能要求本集團償還貸款結欠金額連同任何應計利息。於該等情況下，本集團有權沒收客戶按金並重售物業，以收回本集團應付予銀行的任何金額。就此而言，董事認為本集團的信貸風險已大大減少。有關該等擔保的詳情於附註40披露。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for the payments for property development projects and operating expenses. The Group finances its working capital requirements mainly through internal resources and borrowings from shareholders and banks.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirement in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. No bank borrowing is due for repayment after 1 year but subject to a repayable on demand clause as at 31 December 2016 (2015: RMB97,177,000). The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay as of 31 December 2016.

4 財務風險管理(續)

4.1 財務風險因素(續)

(c) 流動資金風險

審慎的流動資金風險管理指維持充足的現金及現金等價物，並透過充裕的信貸融資額度取得資金。

本集團的主要現金需求用於支付房地產開發項目及經營費用。本集團的營運資金需求主要透過內部資源及向股東及銀行借款撥付。

本集團的政策為定期監控當前及預期的流動資金需求，確保維持充足的現金結餘及充裕的信貸額度，以滿足短期及長期的流動資金需求。

下表載列根據結算日至合約到期日的剩餘期限，按照相關到期組別劃分的本集團金融負債分析。於二零一六年十二月三十一日，並無於一年後到期償還但須受按要求的償還條款所規限的銀行借款(二零一五年：人民幣97,177,000元)。表內披露的金額為於二零一六年十二月三十一日根據本集團可被要求的最早支付日期計算的合約未貼現現金流量。

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

4 財務風險管理(續)

4.1 財務風險因素(續)

(c) 流動資金風險(續)

		Less than 1 year or repayable on demand 少於一年或 按要求償還 RMB'000 人民幣千元	Between 1 and 2 years 一至兩年 RMB'000 人民幣千元	Over 2 years 兩年以上 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 31 December 2016	於二零一六年十二月三十一日				
Creditors and accruals	應付賬款及應計費用	1,367,759	-	-	1,367,759
Amounts due to non-controlling interests and interest thereon	應付非控制性權益款項及 有關利息	23,449	23,449	227,985	274,883
Amounts due to related parties and interest thereon	應付關聯方款項及有關利息	344,326	361,182	1,431,930	2,137,438
Borrowings and interest thereon	借款及有關利息	1,612,466	2,241,241	3,069,142	6,922,849
At 31 December 2015 (Restated)	於二零一五年十二月三十一日 (經重列)				
Creditors and accruals	應付賬款及應計費用	783,489	-	-	783,489
Amounts due to non-controlling interests	應付非控制性權益款項	45,014	-	-	45,014
Amounts due to related parties	應付關聯方款項	1,237,980	-	-	1,237,980
Borrowings and interest thereon	借款及有關利息	1,210,526	3,946,693	2,850,464	8,007,683

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 FAIR VALUE ESTIMATION

Below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's investment property is recognised under level 3 of the fair value hierarchy and details of the valuation are disclosed in note 19.

The carrying amounts of the Group's current financial assets and financial liabilities approximate their fair values due to their short maturities.

4 財務風險管理(續)

4.2 公允價值估計

下文載列利用估值法分析按公允價值入賬的金融工具。不同層級的定義如下：

1. 相同資產或負債於活躍市場的報價(未經調整)(第1層)。
2. 除第1層所包括的報價外，就資產或負債可觀察的直接(即價格)或間接(即源自價格)輸入數據(第2層)。
3. 資產或負債並非依據可觀察市場數據的輸入數據(即不可觀察輸入數據)(第3層)。

本集團的投資性物業在公允價值層級內確認為第3層，有關評估細節於附註19披露。

由於本集團的流動金融資產及金融負債期限短，故賬面值與公允價值相若。

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 CAPITAL RISK MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or obtain borrowings.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash pledged for the Group's borrowing. Total capital is calculated as net debt plus total equity as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2016 and 2015 were as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Borrowings (note 29)	借款(附註29)	6,083,341	6,886,356
Less: Cash and cash equivalents (note 27)	減：現金及現金等價物(附註27)	(2,761,130)	(1,262,269)
Restricted cash	受限制現金	(215,722)	(126,854)
Net debt	債務淨額	3,106,489	5,497,233
Total equity	總權益	3,052,716	1,958,159
Total capital	資本總額	6,159,205	7,455,392
Gearing ratio	資產負債比率	50%	74%

4 財務風險管理(續)

4.3 資本風險管理

本集團的資本管理目標為：

- 確保本集團持續經營的能力；及
- 為股東提供理想回報。

為維持及調整資本架構，本集團或會調整向股東派付的股息金額、向股東退還資本、發行新股或取得借款。

本集團根據資產負債比率監控資本架構。該比率以債務淨額除以資本總額計算。債務淨額以借款總額減現金及現金等價物及已就本集團借款抵押的受限制現金計算。資本總額以債務淨額加綜合資產負債表所示的總權益計算。

於二零一六年及二零一五年十二月三十一日的資產負債比率如下：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 CAPITAL RISK MANAGEMENT (Continued)

Restricted cash was pledged as securities for certain bank borrowings and mortgage facilities of the Group and management considers that such restricted cash should be included in the calculation of net debt in order to reflect an appropriate gearing ratio of the Group.

The decrease in gearing ratio for the year is mainly a result of the decrease in borrowings and increase in cash and cash equivalents.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(I) ESTIMATED FAIR VALUE OF INVESTMENT PROPERTY

The Group's investment property is stated at fair value which is determined by an independent professional valuer. Such valuation is made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

4 財務風險管理(續)

4.3 資本風險管理(續)

受限制現金已就本集團若干銀行借款及按揭融資作抵押，管理層認為，有關受限制現金應納入債務淨額的計算中，以反映本集團合適的資產負債比率。

年度資產負債比率下跌主要由於借款減少而現金及現金等價物有所增加所致。

5 關鍵會計估計及判斷

本集團作出有關未來情況的估計及假設，顧名思義，會計估計結果極少相等於有關實際結果。估計及假設很可能導致須對下一個財政年度的資產及負債賬面值作出重大調整，詳情如下：

(I) 投資性物業的估計公允價值

本集團的投資性物業以獨立專業估值師所釐定的公允價值列賬。估值乃基於若干假設，其中涉及不確定因素，可能與實際結果相距甚遠。作出判斷時須主要根據報告日的市況對相關假設作出合理考慮。該等估計須定期與實際市場資料及實際交易情況作比較。

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(II) NET REALISABLE VALUE OF INVENTORY, PROPERTIES HELD FOR SALE AND UNDER DEVELOPMENT

Management determines the net realisable value of inventory, properties held for sale and under development by using prevailing market data such as most recent sale transactions. Such assessment is made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

(III) INCOME TAXES AND DEFERRED TAX

The Group is subject to income taxes in Hong Kong, US and the PRC. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

5 關鍵會計估計及判斷(續)

(II) 庫存、持作銷售物業及開發中房地產的可變現淨值

管理層採用現行市場數據(如最近期銷售交易)釐定庫存、持作銷售物業及開發中房地產的可變現淨值。評估乃基於若干假設，其中涉及不確定因素，可能與實際結果相距甚遠。作出判斷時須主要根據報告日的市況對相關假設作出合理考慮。該等估計須定期與實際市場資料及實際交易情況作比較。

(III) 所得稅及遞延稅項

本集團須繳納香港、美國及中國所得稅。釐定所得稅撥備時，須作出重大判斷。在日常業務中有若干未能確定最終稅項的交易及計算。倘該等事宜的最終稅務結果有別於最初記錄的數額，則有關差額會影響釐定有關數額期間的所得稅及遞延稅項撥備。

與若干暫時差額及稅項虧損有關的遞延所得稅資產於管理層認為未來有可能出現應課稅利潤可用作抵銷該等暫時差額或稅項虧損時確認。當預期金額與原定估計有差異時，則該差異將於估計改變期間影響遞延所得稅資產的確認及所得稅費用。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(IV) PRC LAND APPRECIATION TAXES

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(V) IMPAIRMENT OF INTERESTS IN ASSOCIATES AND JOINT VENTURES

The Group follows the guidance of HKAS 39 to determine whether interests in associate and joint ventures are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(VI) REVENUE RECOGNITION FOR MANAGEMENT SERVICES FEES

The Group uses the percentage-of-completion method in the accounting of management service contract. Use of the percentage-of-completion method requires the Group to estimate the total contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract. While for the contracts with the floating fees, besides the determination of percentage of completion, significant accounting estimates is also involved in the determination of projected sales. The total revenue recognised could be different from the amounts that were initially recorded, and these differences will impact the revenue in the periods in which such target properties are delivered to customers.

5 關鍵會計估計及判斷(續)

(IV) 中國土地增值稅

本集團須繳納中國土地增值稅。然而，中國各城市不同稅收管轄區對土地增值稅的執行及結算不盡相同，而本集團尚未與中國任何地方稅務局落實房地產開發項目土地增值稅的計算及付款方法。因此，釐定土地增值額及相關稅項時須作出重大判斷。本集團根據管理層作出的最佳估計確認該等負債。倘該等事宜的最終稅務結果有別於最初記錄的數額，則有關差額會影響釐定有關數額期間的所得稅費用及土地增值稅撥備。

(V) 於聯營公司及合營企業的權益減值

本集團根據香港會計準則第39號的指引釐定於聯營公司及合營企業的權益有否出現減值。有關釐定須作出重大判斷。於作出判斷時，本集團會評估多項因素，其中包括該投資的公允價值低於成本的時期及程度；及投資對象的財政是否穩健及短期業務展望，包括行業及分部表現、技術變動及經營和融資現金流量等因素。

(VI) 管理服務費收入確認

本集團使用完成百分比法對管理服務合約入賬。使用完成百分比法，本集團須估計截至報告結算日止期間的合約總成本佔完成合約估計總成本的百分比。而對於浮動費用合約，除釐定完成百分比外，亦須作出有關預期銷售額的重大會計估計。所確認收入總額可能有別於最初記錄者，而差額會影響向客戶交付目標物業期間的收入。

6 REVENUE

Revenue recognized during the year is as follows:

6 收入

年內確認的收入如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Property development and management service fee income from (i)	項目開發管理服務費 收益來自 (i)		
— third parties	— 第三方	361,281	160,711
— associates and joint ventures (note 39)	— 聯營公司及合營企業(附註39)	187,845	110,319
— fellow subsidiaries (note 39)	— 同系附屬公司(附註39)	74,045	530,528
Sale of properties in	銷售物業		
— The PRC	— 中國	3,834,225	865,109
— The US	— 美國	287,008	65,122
Decoration service income	裝飾服務收益	74,141	34,857
Rental and management fee income	租金及管理費收益	26,463	26,145
		4,845,008	1,792,791

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

6 REVENUE (Continued)

- (i) Breakdown of the revenue from property development and management services is as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Revenues from management service	管理服務收入	269,056	518,764
Revenues from sales management service	銷售管理服務收入	229,566	208,901
Revenue from green-technical system integration service	綠色技術系統集成服務收入	83,280	65,195
Revenue from brand authorisation service	品牌授權服務收入	41,269	8,698
		623,171	801,558

7 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as these consolidated financial statements.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from services perspective and have identified the following operating segments:

- (i) Property investment;
- (ii) Property development; and
- (iii) Property development and management services.

6 收入(續)

- (i) 項目開發管理服務收入明細如下：

7 分部資訊

管理層根據由經主要營運決策者審閱及用作策略決定的報告釐定經營分部。該等報告乃根據此等綜合財務報表相同的基準編製。

主要營運決策者為本公司執行董事。執行董事從服務角度考慮業務，並確認以下經營分部：

- (i) 房地產投資；
- (ii) 房地產開發；及
- (iii) 房地產開發管理服務。

7 SEGMENT INFORMATION (Continued)

The executive directors assess the performance of the reportable segments based on a measure of revenue and segment profit. Segment profit includes profits from subsidiaries, share of profits of joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, interest income on bank deposits, corporate expenses and corporate finance costs charged in the consolidated statement of comprehensive income. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

7 分部資訊(續)

執行董事根據收入及分部利潤計量評估報告分部的表現。分部利潤包括附屬公司利潤、應佔合營企業利潤及應佔聯營公司利潤。分部利潤指各分部的利潤，惟不包括出售不動產、工廠及設備的利得、銀行存款利息收入、公司費用及公司財務費用等已計入綜合全面收益表的未分配項目。本集團管理層根據所報告的計量分配資源和評估表現。

截至二零一六年十二月三十一日止年度，向執行董事提供的報告分部資訊如下：

		2016 二零一六年			
		Property investment	Property development	Property development and management services	Total
		房地產投資	房地產開發	房地產開發管理服務	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Segment revenue (external)	分部收入(外部)	26,463	4,195,374	623,171	4,845,008
Reportable segment profit	報告分部利潤	58,433	557,601	389,174	1,005,208
Depreciation of property, plant and equipment	不動產、工廠及設備折舊	(3)	(11,314)	(1,100)	(12,417)
Fair value gain on investment properties	投資性物業的公允價值利得	41,750	-	-	41,750
Share of gains of associates	應佔聯營公司利得	-	45,088	-	45,088
Share of gains of joint ventures	應佔合營企業利得	-	24,930	-	24,930
Finance costs	財務費用	-	(81,823)	-	(81,823)
Segment assets	分部資產	309,069	15,238,363	2,459,694	18,007,126
Segment liabilities	分部負債	58,122	14,293,919	390,877	14,742,918
Additions to non-current assets	增加非流動資產	41,760	683,348	406,903	1,132,011

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

7 SEGMENT INFORMATION (Continued)

7 分部資訊(續)

		2015 二零一五年 (Restated) (經重列)			
		Property investment	Property development	Property development and management services	Total
		房地產投資	房地產開發	房地產開發 管理服務	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
			(Restated) (經重列)	(Restated) (經重列)	(Restated) (經重列)
Segment revenue (external)	分部收入(外部)	26,145	965,088	801,558	1,792,791
Reportable segment profit	報告分部利潤	58,763	97,916	554,382	711,061
Depreciation of property, plant and equipment	不動產、工廠及 設備折舊	(59)	(350)	(1,105)	(1,514)
Fair value gain on investment properties	投資性物業的 公允價值利得	44,047	–	–	44,047
Share of losses of associates	應佔聯營公司虧損	–	(11,085)	–	(11,085)
Share of losses of joint ventures	應佔合營企業虧損	–	(10,445)	–	(10,445)
Finance costs	財務費用	–	(30,321)	–	(30,321)
Segment assets	分部資產	273,251	13,614,970	252,695	14,140,916
Segment liabilities	分部負債	154,541	11,864,208	118,994	12,137,743
Additions to non-current assets	增加非流動資產	16	43,238	5,977	49,231

7 SEGMENT INFORMATION (Continued)

Reconciliations of segment profit to profit before income tax are as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Segment profit	分部利潤	1,005,208	711,061
Bank interest income	銀行利息收益	14,700	16,265
Gains on disposal of property, plant and equipment	出售不動產、工廠及設備的利得	56	718
Unallocated corporate income	未分配公司收入	120	921
Unallocated corporate expenses	未分配公司費用	(187,617)	(64,975)
Profit before income tax	除所得稅前利潤	<u>832,467</u>	<u>663,990</u>

Reconciliations of segment assets/liabilities to total assets/liabilities are as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Segment assets	分部資產	18,007,126	14,140,916
Unallocated assets	未分配資產	-	-
Total assets	總資產	<u>18,007,126</u>	<u>14,140,916</u>

7 分部資訊(續)

分部利潤與除所得稅前利潤的對賬如下：

分部資產／負債與總資產／負債的對賬如下：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

7 SEGMENT INFORMATION (Continued)

Reconciliations of segment assets/liabilities to total assets/liabilities are as follows: (Continued)

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Segment liabilities	分部負債	14,742,918	12,137,743
Unallocated liabilities	未分配負債	211,492	45,014
Total liabilities	總負債	14,954,410	12,182,757

The Group does not have any single customer which contributes more than 10% of the Group's revenue.

Unallocated expenses mainly represent corporate expenses such as finance costs and administrative expenses. Unallocated income mainly represents sundry income.

Unallocated liabilities represent amounts due to non-controlling shareholders.

7 分部資訊(續)

分部資產／負債與總資產／負債的對賬如下：
(續)

本集團並無任何佔本集團收入10%以上的單一客戶。

未分配費用主要指公司費用，例如財務費用以及行政費用。未分配收入主要指雜項收益。

未分配負債指應付非控股股東款項。

7 SEGMENT INFORMATION (Continued)

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

7 分部資訊(續)

本集團來自外部客戶的收入及非流動資產乃按以下地理區域劃分：

		Revenue from external customers 外部客戶收入		Non-current assets 非流動資產	
		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Hong Kong (domicile)	香港(註冊地)	-	-	135,604	291,766
Mainland China	中國內地	4,530,170	1,683,184	1,823,786	2,816,949
The US	美國	314,838	109,607	133,930	245,764
		4,845,008	1,792,791	2,093,320	3,354,479

The revenue information above is based on the location of the customers. Non-current assets information above is based on the location of the assets.

以上收入資訊乃客戶所在位置而作出。以上非流動資產資訊乃按資產所在地而作出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

8 OTHER INCOME

8 其他收益

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Bank interest income	銀行利息收益	14,700	16,265
Interest income from amounts due from joint ventures and associates	應收合營企業及聯營公司款項的利息收益	95,064	8,063
Interest income from loan to third parties and deposit paid for acquisition of an associate (note 25)	應收第三方貸款及收購聯營公司所付按金的利息收益(附註25)	22,117	-
Government grants	政府補助	7,785	9,690
Sundry income	雜項收益	3,015	392
		142,681	34,410

9 OTHER GAINS, NET

9 其他利得淨額

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Net exchange gains	匯兌利得淨額	226,898	80,506
Gain on disposal of subsidiaries (note 36)	出售附屬公司之利得(附註36)	165,304	235
Gain on disposal of property, plant and equipment	出售不動產、工廠及設備之利得	56	718
		392,258	81,459

10 EXPENSES BY NATURE

10 按性質分類的費用

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Employee benefit expenses	僱員福利費用		
Directors' remuneration (note 15)	董事薪酬(附註15)		
— fees	— 袍金	1,028	982
— salaries and allowances	— 薪金及津貼	13,171	9,324
— retirement benefit scheme contributions	— 退休福利計劃供款	329	272
— restricted share award (note 33(b))	— 限制性股份獎勵(附註33(b))	3,745	2,474
		18,273	13,052
Other staff costs	其他職工費用		
— wages, salaries and allowances	— 工資、薪金及津貼	205,208	177,646
— retirement benefit scheme contributions	— 退休福利計劃供款	17,582	17,147
— other staff benefit	— 其他職工福利	18,386	8,214
— restricted share award (note 33(b))	— 限制性股份獎勵(附註33(b))	6,500	3,985
		247,676	206,992
Outgoings in respect of investment property	投資性物業的支出	6,378	7,550
Cost of sale of properties in	銷售物業費用		
— The PRC	— 中國	3,499,633	678,315
— The US	— 美國	291,236	61,028
Other taxes	其他稅項	198,766	68,639
Advertising and promotion expenses	廣告及推廣費用	42,337	41,232
Legal and professional fees	法律及專業費用	17,076	9,208
Stamp duty	印花稅	9,365	2,165
Minimum lease payments in respect of properties under operating leases	經營租賃物業最低租賃付款	15,294	2,990
Auditor's remuneration	核數師薪酬		
— Audit services	— 審核服務	985	943
— Non-audit services projects	— 非審核服務項目	343	944
Depreciation of property, plant and equipment (note 20)	不動產、工廠及設備折舊(附註20)	12,417	1,514
Subcontracting fee for decoration services	裝修服務的分包費用	18,781	11,680
Decoration materials used (note 22)	已用裝修物料(附註22)	19,856	6,368
Design service fee	設計服務費用	7,043	22,484
Provision of impairment losses on completed properties held for sale (note 21)	已竣工持作銷售物業減值虧損撥備(附註21)	2,157	—
Provision for impairment of trade receivables (note 24)	應收賬款減值撥備(附註24)	2,138	—
Others	其他	55,409	82,170
Total	總計	4,465,163	1,217,274
Representing:	指:		
Cost of sales and services	銷售及服務費用	4,086,294	1,034,158
Selling expenses	銷售費用	90,115	73,418
Administrative expenses	行政費用	288,754	109,698
		4,465,163	1,217,274

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11 FINANCE COSTS

11 財務費用

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Interest expense on borrowings	借款利息費用	581,902	441,787
Less: Interest capitalised	減：利息資本化	(387,817)	(397,874)
		194,085	43,913
Other finance charges	其他財務支出	-	6,000
		194,085	49,913

12 INCOME TAX EXPENSE

12 所得稅費用

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Current tax	即期稅項		
— Hong Kong profits tax	— 香港利得稅		
Over-provision in prior years	過往年度超額撥備	(1,832)	(470)
— PRC enterprise income tax	— 中國企業所得稅		
Tax expense for the year	年度稅項費用	266,544	212,849
— US profit tax	— 美國利得稅		
Tax expense for the year	年度稅項費用	170	282
		264,882	212,661
PRC land appreciation tax	中國土地增值稅	16,884	22,845
Deferred tax (note 30)	遞延稅項(附註30)	(56,135)	(51,245)
Total income tax expense	所得稅費用總額	225,631	184,261

Hong Kong profits tax has been provided at 16.5% (2015: 16.5%) on the assessable profits arising in Hong Kong for the year.

香港利得稅乃以年度於香港產生的應課稅利潤按稅率16.5%(二零一五年：16.5%)作出撥備。

12 INCOME TAX EXPENSE (Continued)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Landsea Design that enjoys a preferential income tax rate of 15% as approved by relevant tax authorities.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

Under the law of the US on Federal tax and state tax, the blended tax rate of the US’s subsidiaries is 40.09%. US profit tax is provided for at 40.09% of the profits for the US statutory financial reporting purpose, adjusted for those items which are not assessable or deductible.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

12 所得稅費用(續)

根據中國企業所得稅法(「企業所得稅法」)及其實施條例，中國附屬公司的稅率為25%，惟朗詩設計經有關稅務部門批准享有15%的優惠所得稅稅率則除外。

中國土地增值稅以銷售物業所得款項減去可扣減開支(包括土地使用權成本、借款成本、營業稅及所有物業開發開支)的土地增值按介乎30%至60%的累進稅率徵收。土地增值稅於物業所有權轉移時產生。

根據有關聯邦稅及州稅的美國法律，美國附屬公司的混合稅率為40.09%。就美國法定財務申報而言，美國利得稅按利潤的40.09%計提撥備，並就毋須課稅或不可扣減項目作出調整。

其他地區應課稅利潤的稅項按本集團經營業務所在司法權區的現行適用稅率計算，並根據該等司法權區的現行法例、詮釋及慣例作出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

12 INCOME TAX EXPENSE (Continued)

Reconciliation between profit before income tax and income tax expense is as follows:

12 所得稅費用(續)

除所得稅前利潤與所得稅費用的對賬如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Profit before income tax	除所得稅前利潤	832,467	663,990
Add: Share of (gains)/losses of associates	加：應佔聯營公司(利得)/虧損	(45,088)	11,085
Share of (gains)/losses of joint ventures	應佔合營企業(利得)/虧損	(24,930)	10,445
		762,449	685,520
Tax on profit before income tax, calculated at the statutory rate of 16.5% (2015: 16.5%)	除所得稅前利潤的稅項·按法定稅率16.5%(二零一五年：16.5%)計算	125,804	113,111
Effect of different tax rates of group companies operating in other jurisdictions	於其他司法權區經營的集團公司不同稅率的影響	66,964	56,921
Tax effect of non-taxable income	毋須課稅收益的稅務影響	(26,787)	(22,372)
Tax effect of non-deductible expenses	不可扣減開支的稅務影響	39,832	79
Tax effect of unused tax losses	未動用稅項虧損的稅務影響	7,119	11,856
Land appreciation tax deductible for income tax purpose	可作扣除所得稅的土地增值稅	(4,221)	5,712
Over-provision in prior years	過往年度超額撥備	(1,832)	(470)
Others	其他	1,868	(3,421)
		208,747	161,416
Land appreciation tax	土地增值稅	16,884	22,845
Income tax expenses	所得稅費用	225,631	184,261

13 EARNINGS PER SHARE

(A) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Profit attributable to owners of the Company	歸屬於本公司所有者的利潤	595,439	485,079
Accrued distribution of the convertible perpetual securities	可換股永久證券的應計分派	(18,661)	(854)
Profit used to determine basic earnings per share	用作釐定每股基本收益的利潤	576,778	484,225
Weighted average number of ordinary shares in issue (thousands)	已發行普通股的加權平均數(千股)	3,917,571	3,652,727
Earnings per share (expressed in RMB per share)	每股收益(以每股人民幣列示)	0.147	0.133

(B) DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: convertible perpetual securities. The convertible perpetual securities are assumed to have been converted into ordinary shares.

13 每股收益

(A) 每股基本收益

每股基本收益乃按歸屬於本公司所有者的利潤除以年度已發行普通股的加權平均數計算。

(B) 每股稀釋收益

每股稀釋收益乃假設悉數轉換具稀釋影響的潛在普通股而調整已發行普通股的加權平均數計算。本公司有一類具稀釋影響的潛在普通股：可換股永久證券。假設可換股永久證券獲悉數轉換為普通股。

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13 EARNINGS PER SHARE (Continued)

(B) DILUTED EARNINGS PER SHARE (Continued)

13 每股收益(續)

(B) 每股稀釋收益(續)

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Profit attributable to owners of the Company	歸屬於本公司所有者的利潤	595,439	485,079
Weighted average number of ordinary shares in issue (thousands)	已發行普通股的加權平均數(千股)	3,917,571	3,652,727
Adjustment for:	經以下各項調整：		
— Assumed conversion of convertible perpetual securities (thousands)	— 假設轉換可換股永久證券(千股)	611,126	445,230
Weighted average number of ordinary shares for diluted earnings per share (thousands)	用作釐定每股稀釋收益的普通股加權平均數(千股)	4,528,697	4,097,957
Diluted earnings per share (expressed in RMB per share)	每股稀釋收益(以每股人民幣列示)	0.131	0.118

(C) The weighted average number of shares for the calculation of basic and diluted earnings per share for the year ended 31 December 2015 have been adjusted to reflect the effect of the issuance of ordinary shares and convertible perpetual securities of the Company to acquire Epic China (note 32 and note 34).

(C) 計算截至二零一五年十二月三十一日止年度的每股基本及稀釋收益的加權平均股份數目已作出調整，以反映本公司為收購Epic China發行普通股及可換股永久證券的影響(附註32及附註34)。

14 DIVIDEND

14 股息

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Proposed distribution of final dividend out of contributed surplus account of RMB3.54 cents (equivalent to HK cents 4) (2015: RMB3.3 cents (equivalent to HK cents 4)) per ordinary share	138,682	133,934

建議自實繳盈餘賬派發末期股息每股普通股人民幣3.54分(相當於4港仙)(二零一五年：人民幣3.3分(相當於4港仙))

A final dividend relating to the year ended 31 December 2015 amounted to RMB133,934,000 was fully paid on 6 July 2016.

截至二零一五年十二月三十一日止年度的末期股息人民幣133,934,000元已於二零一六年七月六日全數派發。

The Board proposed distribution of a final dividend out of contributed surplus account of RMB3.54 cents (equivalent to HK cents 4) (2015: RMB3.3 cents (equivalent to HK cents 4)) per ordinary share for the year ended 31 December 2016 amounting to a total of RMB138,682,000. The proposed final dividend for the year ended 31 December 2016 is based on 3,917,570,961 (2015: 3,917,570,961 shares) issued as at 24 March 2017. The proposed final dividend is not reflected as a dividend payable as of 31 December 2016, but will be recorded as a distribution for the year ending 31 December 2017.

董事局建議自實繳盈餘賬派發截至二零一六年十二月三十一日止年度的末期股息每股普通股人民幣3.54分(相當於4港仙)(二零一五年：人民幣3.3分(相當於4港仙))，總金額為人民幣138,682,000元。截至二零一六年十二月三十一日止年度的擬派末期股息乃根據二零一七年三月二十四日的已發行股份3,917,570,961股(二零一五年：3,917,570,961股)釐定。擬派末期股息並不視為二零一六年十二月三十一日的應付股息，但將列作截至二零一七年十二月三十一日止年度作出的分派。

The proposed distribution of final dividend out of contributed surplus account for the year ended 31 December 2016 is subject to the passing of an ordinary resolution for approving the distribution of final dividend out of contributed surplus account of the Company by the shareholders at the annual general meeting of the Company to be held on 26 May 2017.

建議自實繳盈餘賬派發截至二零一六年十二月三十一日止年度的末期股息須待股東於二零一七年五月二十六日舉行的本公司股東週年大會通過批准自本公司實繳盈餘賬派發末期股息的普通決議案後，方可作實。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

15 BENEFITS AND INTERESTS OF DIRECTORS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each director is set out below:

For the year ended 31 December 2016:

15 董事福利及權益

(A) 董事酬金

各董事的酬金載列如下：

截至二零一六年十二月三十一日止年度：

		Fees	Salaries, allowances and bonus	Contribution to retirement benefits scheme	Restricted share award	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
2016	二零一六年					
Executive directors	執行董事					
Tian Ming	田明	-	4,028	15	988	5,031
Shen Leying	申樂瑩	-	2,886	100	989	3,975
Xiang Jiong	向炯	-	2,948	70	676	3,694
Xie Yuanjian	謝遠建	-	2,543	58	572	3,173
Zhou Qin (note (i))	周勤(附註(i))	257	766	86	520	1,629
Independent non-executive directors	獨立非執行董事					
Xu Xiaonian	許小年	257	-	-	-	257
Ding Yuan	丁遠	257	-	-	-	257
Lee Kwan Hung	李均雄	257	-	-	-	257
Non-executive directors	非執行董事					
Zhou Yimin (note (iii))	鄒益民(附註(iii))	-	-	-	-	-
		1,028	13,171	329	3,745	18,273

15 BENEFITS AND INTERESTS OF DIRECTORS

(Continued)

(A) DIRECTORS' EMOLUMENTS (Continued)

		Fees	Salaries, allowances and bonus	Contribution to retirement benefits scheme	Restricted share award	Total
		袍金	工資、津貼 及花紅	退休福利 計劃供款	限制性 股份獎勵	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
2015	二零一五年					
Executive directors	執行董事					
Tian Ming	田明	–	2,709	15	578	3,302
Shen Leying	申樂瑩	–	2,060	96	386	2,542
Xie Yuanjian	謝遠建	–	1,724	43	385	2,152
Xiang Jiong	向炯	–	2,039	69	578	2,686
Lu Baoxiang (note (ii))	蘆寶翔(附註(ii))	–	792	49	322	1,163
Independent non-executive directors	獨立非執行董事					
Xu Xiaonian	許小年	246	–	–	–	246
Ding Yuan	丁遠	246	–	–	–	246
Lee Kwan Hung	李均雄	246	–	–	–	246
Non-executive director	非執行董事					
Zhou Qin (note (i))	周勤(附註(i))	244	–	–	225	469
Zhou Yimin (note (iii))	鄒益民(附註(iii))	–	–	–	–	–
		982	9,324	272	2,474	13,052

15 董事福利及權益(續)

(A) 董事酬金(續)

		Fees	Salaries, allowances and bonus	Contribution to retirement benefits scheme	Restricted share award	Total
		袍金	工資、津貼 及花紅	退休福利 計劃供款	限制性 股份獎勵	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
2015	二零一五年					
Executive directors	執行董事					
Tian Ming	田明	–	2,709	15	578	3,302
Shen Leying	申樂瑩	–	2,060	96	386	2,542
Xie Yuanjian	謝遠建	–	1,724	43	385	2,152
Xiang Jiong	向炯	–	2,039	69	578	2,686
Lu Baoxiang (note (ii))	蘆寶翔(附註(ii))	–	792	49	322	1,163
Independent non-executive directors	獨立非執行董事					
Xu Xiaonian	許小年	246	–	–	–	246
Ding Yuan	丁遠	246	–	–	–	246
Lee Kwan Hung	李均雄	246	–	–	–	246
Non-executive director	非執行董事					
Zhou Qin (note (i))	周勤(附註(i))	244	–	–	225	469
Zhou Yimin (note (iii))	鄒益民(附註(iii))	–	–	–	–	–
		982	9,324	272	2,474	13,052

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

15 BENEFITS AND INTERESTS OF DIRECTORS

(Continued)

(A) DIRECTORS' EMOLUMENTS (Continued)

Notes:

- (i) Appointed as a non-executive director of the Company on 5 January 2015 and re-designated as an executive director of the Company on 15 August 2016.
- (ii) Appointed as an executive director of the Company on 23 February 2014 and resigned as executive director of the Company on 17 November 2015.
- (iii) Appointed as a non-executive director of the Company on 17 November 2015.

(B) DIRECTORS' RETIREMENT BENEFITS AND TERMINATION BENEFITS

None of the directors received or will receive any retirement benefits or termination benefits during the year (2015: Ditto).

(C) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Ditto).

(D) INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

There are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2015: Ditto).

(E) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

15 董事福利及權益(續)

(A) 董事酬金(續)

附註：

- (i) 於二零一五年一月五日獲委任為本公司非執行董事，並於二零一六年八月十五日獲調任為本公司執行董事。
- (ii) 於二零一四年二月二十三日獲委任為本公司執行董事，後於二零一五年十一月十七日辭任本公司執行董事。
- (iii) 於二零一五年十一月十七日獲委任為本公司非執行董事。

(B) 董事的退休福利及終止僱用福利

於本年度，概無董事已收取或將收取任何退休福利及終止僱用福利(二零一五年：相同)。

(C) 就提供董事服務向第三方提供的代價

截至二零一六年十二月三十一日止年度，本公司概無就提供董事服務向任何第三方支付代價(二零一五年：相同)。

(D) 有關以董事、其受控法團或其關連實體為受益人的貸款、準貸款及其他交易的資料

概無以董事、其受控法團或其關連實體為受益人的貸款、準貸款及其他交易安排(二零一五年：相同)。

(E) 董事於交易、安排或合約的重大權益

本公司概無訂立與本集團業務有關，而本集團董事直接或間接擁有重大權益且於年末或年內任何時間存在的重大交易、安排及合約(二零一五年：無)。

16 FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included four existing (2015: three) directors whose emoluments are reflected in the analysis presented in note 15.

The emoluments of the remaining one (2015: Two) individual during the year ended 31 December 2016 were as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Basic salaries, allowances and bonus	基本工資、津貼及花紅	2,874	4,700
Contribution to retirement benefits schemes	退休福利計劃供款	67	69
Restricted share award	限制性股份獎勵	530	336
		3,471	5,105

The number of employees whose remuneration fee within the following band was as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
RMB1,000,000 to RMB2,000,000	人民幣 1,000,000 元至 人民幣 2,000,000 元	-	-
RMB2,000,000 to RMB3,000,000	人民幣 2,000,000 元至 人民幣 3,000,000 元	-	2
RMB3,000,000 to RMB4,000,000	人民幣 3,000,000 元至 人民幣 4,000,000 元	1	-

16 五名最高薪酬人士

於本年度，本集團五位最高薪酬人士包括四名（二零一五年：三名）現任董事，其酬金於附註15的分析內反映。

截至二零一六年十二月三十一日止年度，餘下一名（二零一五年：兩名）人士的薪酬如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Basic salaries, allowances and bonus	基本工資、津貼及花紅	2,874	4,700
Contribution to retirement benefits schemes	退休福利計劃供款	67	69
Restricted share award	限制性股份獎勵	530	336
		3,471	5,105

其薪酬在下列組別範圍內的僱員數目：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
RMB1,000,000 to RMB2,000,000	人民幣 1,000,000 元至 人民幣 2,000,000 元	-	-
RMB2,000,000 to RMB3,000,000	人民幣 2,000,000 元至 人民幣 3,000,000 元	-	2
RMB3,000,000 to RMB4,000,000	人民幣 3,000,000 元至 人民幣 4,000,000 元	1	-

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

17 INTERESTS IN ASSOCIATES

17 於聯營公司的權益

		2016	2015
		二零一六年	二零一五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Share of net assets	應佔淨資產	744,099	490,348
Amounts due from associates	應收聯營公司款項	-	1,727,796
		744,099	2,218,144

For the year ended 31 December 2016, pursuant to a shareholder meeting resolution (the "Resolution") of 南京奧建置業有限公司 (Nanjing Aojian Properties Co., Limited) dated 4 February 2016, all of the shareholders agreed to provide a further capital injection into 南京奧建置業有限公司 (Nanjing Aojian Properties Co., Limited) by an equivalent percentage. Pursuant to the Resolution, the Group injected capital totaling RMB246,430,000. In addition, the Group acquired 9.91% and 20% interests in 成都太行瑞宏房地產開發有限公司 (Chengdu Taihang Ruihong Property Development Co., Ltd.) and 湖北供銷徐東民生廣場置業有限公司 (Hubei Gongxiao Xudong Minsheng Square Real Estate Co., Ltd.) with the consideration of RMB11,000,000 and RMB67,251,200 from third parties, respectively.

截至二零一六年十二月三十一日止年度，根據南京奧建置業有限公司於二零一六年二月四日召開的股東大會決議案（「決議案」），全體股東同意按同等比例向南京奧建置業有限公司作進一步注資。根據決議案，本集團注資合共人民幣246,430,000元。此外，本集團分別以代價人民幣11,000,000元及人民幣67,251,200元自第三方收購成都太行瑞宏房地產開發有限公司及湖北供銷徐東民生廣場置業有限公司9.91%及20%權益。

17 INTERESTS IN ASSOCIATES (Continued)

For the year ended 31 December 2015, the Group and two third parties set up five new project companies, 南京奧建置業有限公司 (Nanjing Aojian Properties Co., Limited), 南京學衡置業有限公司 (Nanjing Xueheng Properties Co., Limited), 成都辰詩置業有限公司 (Chengdu Chensi Properties Co., Limited), 杭州朗優房地產開發有限公司 (Hangzhou Langyou Properties Development Co., Limited) and 杭州朗寧投資有限公司 (Hangzhou Langning investment Co., Limited). The Group invested RMB12,970,000, RMB349,300,000, RMB17,500,000, RMB24,000,000 and RMB15,200,000 in these project companies and holds 12.97%, 49.9%, 25%, 49% and 27% equity interests in these companies respectively.

Details of the associates are disclosed in note 42. These associates are principally engaged in property development or investment holding and are strategic partnerships for the Group.

17 於聯營公司的權益(續)

截至二零一五年十二月三十一日止年度，本集團與兩家第三方創辦五間新項目公司，即南京奧建置業有限公司、南京學衡置業有限公司、成都辰詩置業有限公司、杭州朗優房地產開發有限公司及杭州朗寧投資有限公司。本集團就該等項目公司分別投資人民幣12,970,000元、人民幣349,300,000元、人民幣17,500,000元、人民幣24,000,000元及人民幣15,200,000元，並於該等公司分別持有12.97%、49.9%、25%、49%及27%的股權。

有關聯營公司的詳情於附註42披露。該等聯營公司主要從事房地產開發或投資控股，與本集團為戰略夥伴關係。

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17 INTERESTS IN ASSOCIATES (Continued)

Set out below is the summarised financial information of the associates.

17 於聯營公司的權益(續)

聯營公司的財務資料概述如下。

		Hangzhou Wanye Property Co., Ltd. 杭州萬業置業 有限公司 RMB'000 人民幣千元	Nanjing Aojian Properties Co., Ltd. 南京奧建置業 有限公司 RMB'000 人民幣千元	Nanjing Xueheng Properties Co., Ltd. 南京學衡置業 有限公司 RMB'000 人民幣千元	Others 其他 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue	收入	1,179,675	-	-	790,525	1,970,200
Profit/(Loss) and total comprehensive profit/(loss) for the year	年度溢利/(虧損)及 全面溢利/(虧損)總額	136,217	(75,141)	(28,727)	(29,324)	3,025
Total current assets	流動資產總值	1,273,574	7,100,851	3,774,579	8,057,738	20,206,742
Total non-current assets	非流動資產總值	81	21,532	11,474	109,547	142,634
Total current liabilities	流動負債總額	(976,456)	(4,403,657)	(3,020,255)	(6,259,327)	(14,659,695)
Total non-current liabilities	非流動負債總額	-	(800,000)	(100,000)	(800,900)	(1,700,900)
Net assets at 31 December 2016	於二零一六年十二月三十一日 的資產淨值	297,199	1,918,726	665,798	1,107,058	3,988,781
Interests in associates Carrying value at 31 December 2016	於聯營公司的權益 於二零一六年十二月三十一日 的賬面值	34%	12.97%	49.9%	10%~48.9%	
		101,052	232,656	322,607	87,784	744,099

There are no contingent liabilities relating to the Group's interests in the associates.

概無任何與本集團於聯營公司的權益有關的或然負債。

18 INTERESTS IN JOINT VENTURES

18 於合營企業的權益

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Share of net assets	應佔淨資產	261,610	298,315
Amounts due from joint ventures	應收合營企業款項	187,036	397,055
		448,646	695,370

Details of the joint ventures are disclosed in note 43. These joint ventures are principally engaged in property development or investment holding and are a strategic partnerships for the Group.

The amounts due from joint ventures are unsecured, RMB146,000,000 of which is repayable in the year of 2018 and carry interest at 8.5% per annum, the remaining balances are interest-free and have no fixed terms of repayment.

Set out below is the summarized financial information of the joint ventures.

有關合營企業的詳情於附註43披露。該等合營企業主要從事房地產開發或投資控股，與本集團為戰略夥伴關係。

應收合營企業款項為無抵押。其中人民幣146,000,000元須於二零一八年償還，年利率為8.5%，餘下結餘為免息且無固定還款期。

合營企業的財務資料概述如下。

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財務報表附註

18 INTERESTS IN JOINT VENTURES (Continued)

18 於合營企業的權益(續)

		Hangzhou Langping Property Co., Ltd.	Silver Knight Global Limited	LS-Boston Point LLC LS-Boston Point LLC (「LS-Boston」)	Others	Total
		杭州朗平置業 有限公司	Silver Knight Global Limited	Point LLC (「LS-Boston」)	其他	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Revenue	收入	-	-	-	355,140	355,140
Depreciation	折舊	(10)	-	-	(19)	(29)
Interest income	利息收入	105	-	-	1,256	1,361
Income tax credit/(expense)	所得稅抵免/(開支)	4,370	-	-	(16,164)	(11,794)
Profit and total comprehensive income for the year	年度利潤及全面收益總額	(13,554)	(215)	3,689	51,814	41,734
Cash and cash equivalents	現金及現金等價物	15,437	8,008	-	487,167	510,612
Total current assets	流動資產總值	1,264,765	469,621	-	2,270,391	4,004,777
Total non-current assets	非流動資產總值	14,103	-	242,530	36,406	293,039
Total current liabilities	流動負債總額	(396,588)	(446,550)	(576)	(1,479,130)	(2,322,844)
Total non-current liabilities	非流動負債總額	(695,833)	(28,860)	-	(400,000)	(1,124,693)
Net assets at 31 December 2016	於二零一六年十二月三十一日 的資產淨值	186,447	(5,789)	241,954	427,667	850,279
Interest in the joint venture	於合營企業的權益	50.00%	38.46%	50.00%	30%~60%	
Carrying value at 31 December 2016	於二零一六年十二月三十一日 的賬面值	67,741	-	128,865	65,004	261,610

There are no commitment or contingent liabilities relating to the Group's interests in the joint ventures.

概無任何與本集團於合營企業的權益有關的或然負債。

19 INVESTMENT PROPERTY

As at 31 December 2016, the Group held one block of commercial building located in Shenzhen, the PRC. Changes to the carrying amount of investment property in the consolidated balance sheet are summarized as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
At 1 January	於一月一日	249,170	205,123
Fair value gain	公允價值利得	41,750	44,047
At 31 December	於十二月三十一日	290,920	249,170

The Group's interest in investment property at its carrying amount is analysed as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Outside Hong Kong, held on:	在香港境外持有：		
Medium-term lease of between 10 to 50 years	10 至 50 年期的中期租賃	290,920	249,170

Investment property was valued at 31 December 2016 by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who is a member of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties.

19 投資性物業

於二零一六年十二月三十一日，本集團持有一幢位於中國深圳的商業樓宇。於綜合資產負債表的投資性物業賬面值變動概述如下：

本集團於投資性物業的權益按其賬面值分析如下：

投資性物業由獨立專業合資格估值師仲量聯行企業評估及諮詢有限公司於二零一六年十二月三十一日進行估值，仲量聯行企業評估及諮詢有限公司乃香港測量師學會會員，並持有適當資格及擁有類似物業估值的近期經驗。

NOTES TO THE FINANCIAL STATEMENTS

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19 INVESTMENT PROPERTY (Continued)

As at 31 December 2016, investment property with carrying amount of RMB290,920,000 (2015: RMB249,170,000) was pledged as collateral for the Group's borrowings (note 29).

FAIR VALUE HIERARCHY

An independent valuation of the Group's investment property was performed by an independent and professionally qualified valuer to determine the fair value of the investment property as at 31 December 2016 and 2015.

As at 31 December 2016 and 2015, all of the Group's investment property was within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

VALUATION PROCESSES OF THE GROUP

The Group's investment property was valued at 31 December 2016 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive directors and the audit committee.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

19 投資性物業(續)

於二零一六年十二月三十一日，賬面值為人民幣290,920,000元(二零一五年：人民幣249,170,000元)的投資性物業已抵押作為本集團取得借款的抵押品(附註29)。

公允價值層級

本集團的投資性物業已由獨立專業合資格估值師進行獨立估值，以釐定投資性物業於二零一六年及二零一五年十二月三十一日的公允價值。

因估值參考若干重大不可觀察輸入數據後得出，於二零一六年及二零一五年十二月三十一日，本集團所有投資性物業均屬公允價值層級的第三級。年內第一、二、三級間並無轉移。

本集團的估值流程

本集團的投資性物業於二零一六年十二月三十一日由獨立專業合資格估值師進行估值，該估值師具有相關認可專業資格，對所估值的投資性物業所處位置和所屬類別有近期估值經驗。目前所有投資性物業均已達致最佳用途。

本集團財務部門有團隊審閱獨立估值師的估值，以便作出財務申報。財務部門及估值團隊每六個月最少舉行一次會議(與本集團的中期及年度報告日期一致)，以討論估值流程及結果。該團隊直接向執行董事及審核委員會匯報。

財務部門於每個財政年度末：

- 核實獨立估值報告的全部主要輸入數據；
- 評估物業估值相較上一年度估值報告的變動；
- 與獨立估值師進行討論。

19 INVESTMENT PROPERTY (Continued) VALUATION TECHNIQUES

In valuing the property, we have adopted the income approach by taking into account the net rental income of the property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 (RMB'000) 於二零一六年十二月三十一日的公允價值 (人民幣千元)	Valuation technique(s) 估值方法	Unobservable inputs 不可觀察輸入數據	Range of unobservable inputs (probability-weighted average) 不可觀察輸入數據範圍(加權平均概率)	Relationship of unobservable inputs to fair value 不可觀察輸入數據對公允價值的關係
Dawning Tower-commercial building 曙光大廈一商業樓宇	290,920	Term and reversionary method 年期及復歸法	Term yields 年期收益率	5.0%	The higher the term yields, the lower the fair value 年期收益率越高，公允價值越低
			Reversionary yields 復歸收益率	5.5%	The higher the reversion yields, the lower the fair value 復歸收益率越高，公允價值越低
			Vacancy rate 空置率	8%	The higher the vacancy rate, the lower the fair value 空置率越高，公允價值越低
			Average daily rental per square meter 每平方米日均租金	2.70	The higher the average daily rental, the higher the fair value 日均租金越高，公允價值越高

19 投資性物業(續) 估值方法

我們已採用收益法對物業進行估值，計及自現有租約所獲取及/或於現有市場中可取得的物業租金收入淨額，並已就租賃的復歸潛在收入作出適當撥備，再將該租金收入淨額按適當的資本化比率資本化以釐定公允價值。適當情況下，我們亦已參考有關市場上可查閱的可資比較銷售交易。

年內估值方法並無變化。

有關使用重大不可觀察輸入數據進行的公允價值計量(第三級)的資料

Description	Fair value at 31 December 2016 (RMB'000) 於二零一六年十二月三十一日的公允價值 (人民幣千元)	Valuation technique(s) 估值方法	Unobservable inputs 不可觀察輸入數據	Range of unobservable inputs (probability-weighted average) 不可觀察輸入數據範圍(加權平均概率)	Relationship of unobservable inputs to fair value 不可觀察輸入數據對公允價值的關係
Dawning Tower-commercial building 曙光大廈一商業樓宇	290,920	Term and reversionary method 年期及復歸法	Term yields 年期收益率	5.0%	The higher the term yields, the lower the fair value 年期收益率越高，公允價值越低
			Reversionary yields 復歸收益率	5.5%	The higher the reversion yields, the lower the fair value 復歸收益率越高，公允價值越低
			Vacancy rate 空置率	8%	The higher the vacancy rate, the lower the fair value 空置率越高，公允價值越低
			Average daily rental per square meter 每平方米日均租金	2.70	The higher the average daily rental, the higher the fair value 日均租金越高，公允價值越高

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19 INVESTMENT PROPERTY (Continued) VALUATION TECHNIQUES (Continued)

19 投資性物業(續) 估值方法(續)

Description	Fair value at 31 December 2015 (RMB'000) 於二零一五年 十二月三十一日 的公允價值 (人民幣千元)	Valuation technique(s) 估值方法	Unobservable inputs 不可觀察 輸入數據	Range of unobservable inputs (probability- weighted average) 不可觀察 輸入數據 範圍(加權 平均概率)	Relationship of unobservable inputs to fair value 不可觀察輸入 數據對公允價值的關係
Dawning Tower- commercial building 曙光大廈一 商業樓宇	249,170	Term and reversionary method 年期及復歸法	Term yields 年期收益率	5.5%	The higher the term yields, the lower the fair value 年期收益率越高， 公允價值越低
			Reversionary yields 復歸收益率	6.0%	The higher the reversion yields, the lower the fair value 復歸收益率越高， 公允價值越低
			Vacancy rate 空置率	6%	The higher the vacancy rate, the lower the fair value 空置率越高，公允價值越低
			Average daily rental per square meter 每平方米日均租金	2.80	The higher the average daily rental, the higher the fair value 日均租金越高， 公允價值越高

20 PROPERTY, PLANT AND EQUIPMENT

20 不動產、工廠及設備

		Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
		租賃樓宇裝修 RMB'000 人民幣千元	傢俱、裝置及 辦公設備 RMB'000 人民幣千元	汽車 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2015 (Restated)	於二零一五年一月一日 (經重列)				
Cost	成本	3,214	5,213	3,009	11,436
Accumulated depreciation	累計折舊	(2,825)	(1,926)	(1,066)	(5,817)
Net carrying amount	賬面淨值	389	3,287	1,943	5,619
Year ended 31 December 2015 (Restated)	截至二零一五年十二月三十一日止年度 (經重列)				
Opening net carrying amount	年初賬面淨值	389	3,287	1,943	5,619
Additions	增加	534	9,826	45	10,405
Depreciation	折舊	(196)	(1,119)	(199)	(1,514)
Disposals	出售	-	(5)	(332)	(337)
Exchange difference	匯兌差額	(22)	(218)	(14)	(254)
Closing net carrying amount	年末賬面淨值	705	11,771	1,443	13,919
At 31 December 2015 (Restated)	於二零一五年十二月三十一日 (經重列)				
Cost	成本	3,748	15,034	2,722	21,504
Accumulated depreciation	累計折舊	(3,043)	(3,263)	(1,279)	(7,585)
Net carrying amount	賬面淨值	705	11,771	1,443	13,919
Year ended 31 December 2016	截至二零一六年十二月三十一日止年度				
Opening net carrying amount	年初賬面淨值	705	11,771	1,443	13,919
Additions	增加	10,095	8,933	334	19,362
Depreciation	折舊	(8,675)	(3,274)	(468)	(12,417)
Disposal	出售	-	(3)	(35)	(38)
Exchange difference	匯兌差額	45	184	15	244
Closing net carrying amount	年末賬面淨值	2,170	17,611	1,289	21,070
At 31 December 2016	於二零一六年十二月三十一日				
Cost	成本	13,843	23,964	3,021	40,828
Accumulated depreciation	累計折舊	(11,673)	(6,353)	(1,732)	(19,758)
Net carrying amount	賬面淨值	2,170	17,611	1,289	21,070

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21 PROPERTIES HELD FOR SALE

21 持作銷售物業

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Properties held for sale:	持作銷售物業：		
— In the PRC, held on leases of 70 years	— 在中國持有為期 70 年的租賃	376,457	153,202
— In the US	— 在美國	18,866	19,638
		395,323	172,840

For the year ended 31 December 2016, the Group recognized impairment losses of RMB2,157,000 (2015:Nil) on completed properties held for sale (note 10).

截至二零一六年十二月三十一日止年度，本集團就已竣工持作銷售物業（附註10）確認減值虧損人民幣2,157,000元（二零一五年：無）。

22 INVENTORIES

22 庫存

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Decoration materials (note 10)	裝飾物料（附註10）	23,501	7,123

The cost of inventories recognised as expense and included in cost of sales and services amounted to RMB19,856,000 for the year ended 31 December 2016 (2015: RMB6,368,000).

截至二零一六年十二月三十一日止年度，確認為支出以及計入銷售及服務費用的庫存費用為人民幣19,856,000元（二零一五年：人民幣6,368,000元）。

23 PROPERTIES UNDER DEVELOPMENT

23 開發中房地產

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Leasehold land payments	租賃土地付款	7,619,059	5,700,703
Development expenditures	開發支出	2,100,411	1,824,751
		9,719,470	7,525,454
Interest capitalised	資本化利息	659,791	461,179
		10,379,261	7,986,633

The Group's properties under development are located in the PRC and US.

As at 31 December 2016, leasehold land and development expenditures included in the properties under development with net book value of RMB3,843,274,000 and RMB478,375,000 (2015: RMB1,940,440,000 and RMB1,112,610,000) were pledged as collateral for the Group's bank borrowings (note 29), respectively.

As at 31 December 2016, leasehold land and development expenditures included in the properties under development with net book value of RMB862,321,000 and RMB345,202,000 (2015: RMB903,429,000 and RMB7,137,000) were pledged as collateral for the Group's junior private note (note 29), respectively.

The capitalization rate of borrowing is 6.9% (2015: 6.7%).

本集團的開發中房地產位於中國及美國。

於二零一六年十二月三十一日，賬面淨值分別為人民幣3,843,274,000元及人民幣478,375,000元（二零一五年：人民幣1,940,440,000元及人民幣1,112,610,000元）的租賃土地及開發支出（計入開發中房地產）已抵押作為本集團取得銀行借款的抵押品（附註29）。

於二零一六年十二月三十一日，賬面淨值分別為人民幣862,321,000元及人民幣345,202,000元（二零一五年：人民幣903,429,000元及人民幣7,137,000元）的租賃土地及開發支出（計入開發中房地產）已抵押作為本集團次級私募債券的抵押品（附註29）。

借款資本化率為6.9%（二零一五年：6.7%）。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

23 PROPERTIES UNDER DEVELOPMENT

(Continued)

During the year, the Group acquired 寰安置業(成都)有限公司 (All Green Properties (Chengdu) Co., Ltd.) (“Huan'an”), 中福頤養(天津)置業有限公司 (Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.) (“Yiyang (Tianjin)”), 中福樂齡(天津)置業有限公司 (Zhongfuleing (Tianjin) Real Estate Co., Ltd.) (“Leling (Tianjin)”) and 上海昆宏實業有限公司 (Shanghai Kunhong Co., Ltd. (“Shanghai Kunhong”) and 中福頤樂(天津)置業有限公司 (Zhongfuyile (Tianjin) Real Estate Co., Ltd.) (“Yile (Tianjin)”) together with certain shareholder loan from third parties with the consideration of RMB1,668,150,000 in total (net of cash outflow on acquisition was RMB1,666,494,000). The acquirees own certain land use rights and a second-hand property. Since the lands and property were vacant and management plans to develop or redevelop them for sale in the future, these transactions have been accounted for as acquisitions of assets and liabilities instead of business combination.

24 TRADE RECEIVABLES

Trade receivables	應收賬款
Less: Provision for bad debt	減：壞賬撥備

The carrying amounts of the trade receivables approximate their fair values and are mainly denominated in RMB.

23 開發中房地產(續)

年內，本集團以代價總額人民幣1,668,150,000元(扣除收購之現金流出後為人民幣1,666,494,000元)自第三方收購寰安置業(成都)有限公司(「寰安」)、中福頤養(天津)置業有限公司(「頤養(天津)」)、中福樂齡(天津)置業有限公司(「樂齡(天津)」)、上海昆宏實業有限公司(「上海昆宏」)及中福頤樂(天津)置業有限公司(「頤樂(天津)」)以及若干股東貸款，被收購方擁有若干土地使用權及一處二手物業。由於該等土地及物業處於閒置狀態，管理層計劃開發或重新開發以作日後銷售，該等交易已入賬列作收購資產與負債，而非業務合併。

24 應收賬款

2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
235,829	95,825
(2,559)	(421)
233,270	95,404

應收賬款的賬面值與其公允價值相若，並主要以人民幣計值。

24 TRADE RECEIVABLES (Continued)

The aging analysis of trade receivables by invoice date is as follows:

0 to 30 days	0 至 30 日
31 to 60 days	31 至 60 日
61 to 90 days	61 至 90 日
Over 90 days	90 日以上

The credit terms granted to customers of purchase properties are generally ranged from 30 days to 60 days, while for the customers to whom the Group providing management and development service, the credit terms are 1 year.

As at 31 December 2016, receivables arising from sales of properties and providing management and development service was RMB21,930,000 and RMB213,899,000 (2015: RMB13,490,000 and RMB82,335,000), respectively.

Based on past experience, management believes that no impairment allowance is necessary in respect of trade receivables arise from sales of properties as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of these balances.

As of 31 December 2016, trade receivables arising from providing management and development service of RMB147,681,000 (2015: RMB75,583,000) were fully performing.

24 應收賬款(續)

應收賬款按發票日期列示的賬齡分析如下：

2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
164,934	79,899
4,013	3,424
930	4,023
65,952	8,479
235,829	95,825

授予客戶購買物業的信貸期一般介乎30日至60日，而本集團向客戶提供管理及開發服務方面授予客戶的信貸期為一年。

於二零一六年十二月三十一日，出售物業及提供管理和開發服務的應收賬款分別為人民幣21,930,000元及人民幣213,899,000元(二零一五年：人民幣13,490,000元及人民幣82,335,000元)。

根據過往經驗，管理層相信由於信貸質素並無重大變動且結餘仍被認為可悉數收回，故毋須就出售物業應收賬款作出減值撥備。本集團並無就該等結餘持有任何抵押品。

於二零一六年十二月三十一日，提供管理和開發服務的應收賬款人民幣147,681,000元(二零一五年：人民幣75,583,000元)全數到賬。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

24 TRADE RECEIVABLES (Continued)

As at 31 December 2016, RMB66,218,000 (2015: RMB6,752,000) of trade receivables arising from providing management and development service were impaired. The amount of the provision was RMB2,559,000 (2015: RMB421,000).

It was assessed that a portion of the receivables is expected to be recovered. The ageing analysis of these receivables is as follows:

Within one year	一年內
Between one year and two years	一至兩年

The creation of provision for impairment of trade receivables have been included in 'Administrative expenses'. Amount charge to the allowance account are written off when there is no expectation of recovering additional cash.

24 應收賬款(續)

於二零一六年十二月三十一日，提供管理及開發服務的應收賬款人民幣66,218,000元(二零一五年：人民幣6,752,000元)已減值。撥備為人民幣2,559,000元(二零一五年：人民幣421,000元)。

經評估，預期可收回部分應收款。該等應收賬款的賬齡分析如下：

2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
65,369	6,752
849	-
66,218	6,752

就應收賬款減值計提的撥備計入「行政費用」。當預期不可收回額外現金時，則撇銷於撥備賬扣除的金額。

25 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

25 其他應收款、預付款及按金

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Non-current assets			
	非流動資產		
Deposit paid for acquisition of an associate	收購一間聯營公司的已付訂金	390,103	81,783
Loan to third parties	向第三方貸款	30,000	-
Maintenance fund	維護資金	5,413	-
		425,516	81,783
Current assets			
	流動資產		
Prepaid business tax and other taxes	預付營業稅及其他稅項	189,940	165,813
Other receivables and prepayments	其他應收款及預付款	100,259	67,458
Deposits in housing fund	住房公積金按金	17,729	10,865
Prepaid interests	預付利息	11,200	7,786
Prepaid professional fee	預付專業費用	8,806	9,667
Deposits for property management fee	物業管理費用按金	1,000	3,470
		328,934	265,059

The loans to third parties and maintenance fund are repayable within two to eight years from the end of the year. The balance of loans to third parties bear interest ranging from 10%–14%.

The deposit paid for acquisition of an associate bears interest at 8% per annum.

向第三方貸款及維護資金於年末後二至八年內償還。向第三方貸款結餘的利率介乎10%至14%。

收購一間聯營公司的已付訂金按8%的年利率計息。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

25 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

The fair value of other receivables, prepayments and deposits are as follows:

25 其他應收款、預付款及按金(續)

其他應收款項、預付款及按金之公允價值載列如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Non-current assets	非流動資產		
Deposit paid for acquisition of an associate	收購一間聯營公司的已付訂金	390,103	81,783
Loans to third parties	向第三方貸款	24,929	-
Maintenance fund	維護資金	3,751	-
		418,783	81,783
Current assets	流動資產		
Prepaid business tax and other taxes	預付營業稅及其他稅項	189,940	165,813
Other receivables and prepayments	其他應收款及預付款	100,259	67,458
Deposits in housing fund	住房公積金按金	17,729	10,865
Prepaid interests	預付利息	11,200	7,786
Prepaid professional fee	預付專業費用	8,806	9,667
Deposits for property management fee	物業管理費用按金	1,000	3,470
		328,934	265,059

The fair value of loans to third parties and maintenance fund are based on cash flows discounted using a rate based on the borrowing rate of 4.75%–4.9%. The fair values are within level 2 of the fair value hierarchy.

向第三方貸款及維護資金之公允價值按借款利率4.75%至4.9%貼現現金流計算。公允價值屬公允價值層級的第二級。

25 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of these balances.

26 AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

Amounts due from non-controlling interests 應收非控制性權益款項

In December 2016, 蘇州朗坤置業有限公司 (Suzhou Langkun Property Limited) (“Suzhou Langkun”), an indirect non-wholly owned subsidiary of the Company, entered into a loan agreement with its shareholders, pursuant to which Suzhou Langkun would advance loan to its shareholders on pro-rata basis according to their respective shareholding interest in Suzhou Langkun. The loan is unsecured, repayable within one year, and Suzhou Langkun shall charge an annual interest rate of 4.35% per annum on the actual amount of drawdown. As at 31 December 2016, the outstanding amount due from the non-controlling shareholders of Suzhou Langkun amounted to RMB558,000,000.

25 其他應收款、預付款及按金(續)

根據過往經驗，管理層相信由於信貸素質並無重大變動且結餘仍被認為可悉數收回，故毋須就該等結餘作出減值撥備。本集團並無就該等結餘持有任何抵押品。

26 應收非控制性權益款項

2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
558,000	—
558,000	—

於二零一六年十二月，本公司間接非全資附屬公司蘇州朗坤置業有限公司(「蘇州朗坤」)與其股東簽訂貸款協議，蘇州朗坤按股東各自於蘇州朗坤的股權按比例向股東提供貸款。貸款為無抵押，須於一年內償還，而蘇州朗坤須按4.35%的年利率根據支取的實際金額計息。於二零一六年十二月三十一日，應收蘇州朗坤非控股股東的未償還款項達人民幣558,000,000元。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

27 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

27 受限制現金以及現金及現金等價物

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Restricted Cash	受限制現金		
— guarantee deposits for construction of pre-sold properties	— 建設預售物業的擔保存款	165,897	118,488
— pledged for the Group's bank borrowings and mortgage facilities	— 作為本集團銀行借款及按揭融資的抵押	49,120	7,218
— others	— 其他	705	1,148
		215,722	126,854
Cash and cash at banks	現金及銀行現金	2,761,130	1,262,269

The carrying amounts of restricted cash and cash and cash equivalents approximate their fair values.

As at 31 December 2016, restricted cash of RMB1,325,000 (2015: Nil) was pledged as collateral for the Group's borrowings (note 29).

The Group's bank balances of RMB2,602,684,000 (2015 (Restated): RMB968,722,000) are denominated in RMB and are placed with the banks in the PRC. The conversion of the Group's RMB denominated bank balances and cash into foreign currencies or the remittance of such bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government. The remaining bank balances are mainly denominated in either HK\$ or USD.

受限制現金以及現金及現金等價物的賬面值與其公允價值相若。

於二零一六年十二月三十一日，受限制現金人民幣1,325,000元(二零一五年：無)已抵押作為本集團取得借款的抵押品(附註29)。

本集團為數人民幣2,602,684,000元(二零一五年(經重列)：人民幣968,722,000元)的銀行結餘以人民幣計值，並存置於位處中國的銀行。轉換本集團以人民幣計值的銀行結餘及現金為外幣，以及從中國匯出有關銀行結餘及抽調現金，受中國政府所頒佈的有關外匯管制規則及規例所規限。餘下的銀行結餘主要以港元或美元計值。

28 CREDITORS AND ACCRUALS

28 應付賬款及應計費用

		2016	2015
		二零一六年	二零一五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元 (Restated) (經重列)
Payables for construction materials and services	應付工程物料及服務款項	975,214	571,914
Interest payable on loans	應付貸款利息	127,156	63,292
Accruals for staff costs	應計職工費用	111,917	63,354
Business tax and other tax payable	營業稅及其他稅項	70,186	62,672
Other payables	其他應付款	38,145	11,300
Deposits received	已收按金	29,932	5,140
Interest payable to related parties	應付關聯方利息	11,049	-
Advanced payments received	已收墊付款項	4,160	5,817
		1,367,759	783,489

The creditors and accruals balances are mainly denominated in RMB and USD.

應付賬款及應計費用主要以人民幣及美元計值。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

29 BORROWINGS

29 借款

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Bank borrowings	銀行借款		
— in RMB	— 人民幣	2,852,685	3,185,000
— in USD	— 美元	212,131	80,170
— in HK\$	— 港元	208,912	194,721
Loans from the ultimate holding company (in RMB)	來自最終控股公司的貸款 (人民幣)	1,662,177	1,819,523
Senior private notes (in USD)	優先私募債券 (美元)	685,457	1,251,308
Junior private notes (in USD)	次級私募債券 (美元)	309,000	294,000
EB-5 Loans (in USD)	EB-5 貸款 (美元)	152,979	61,634
Total	總計	6,083,341	6,886,356
Less: short-term borrowings and current portion of long-term borrowings	減：短期借款和長期借款的 流動部分	(1,267,990)	(1,111,117)
Non-current portion	非流動部分	4,815,351	5,775,239

Bank borrowings carry interest ranging from 2.46% to 9% per annum and are secured by:

- (i) leasehold land payments (included in properties under development) with total carrying value of RMB3,843,274,000 (2015: RMB1,940,440,000) (note 23);
- (ii) part of the development expenditures amounting to RMB478,375,000 (2015: RMB1,112,610,000) (note 23);
- (iii) restricted cash of RMB1,325,000 (2015: Nil) (note 27);
- (iv) a guarantee provided by the ultimate holding company;
- (v) standby letter of credit issued by certain financial institutions; and

銀行借款按年利率介乎2.46%至9%計息，並以下列各項作抵押：

- (i) 總賬面值為人民幣3,843,274,000元(二零一五年：人民幣1,940,440,000元)的租賃土地付款(包括開發中房地產)(附註23)；
- (ii) 部分開發支出人民幣478,375,000元(二零一五年：人民幣1,112,610,000元)(附註23)；
- (iii) 受限制現金人民幣1,325,000元(二零一五年：人民幣零元)(附註27)；
- (iv) 最終控股公司所提供的擔保；
- (v) 若干金融機構所發出的備用信用證；及

29 BORROWINGS (Continued)

- (vi) investment property of RMB290,920,000 (2015: RMB249,170,000) (note 19).

The loans from the ultimate holding company are arranged by a bank in the PRC under entrusted loans arrangements. The balances are unsecured and carry interest ranging from 5.3% to 6.6% per annum.

Senior private notes are guaranteed by shares of subsidiaries of the Company and carries interest at 9.5% per annum. The balance of senior private notes is repayable on 30 April 2018.

Junior private notes are interest-free and guaranteed by leasehold land and development expenditures of RMB862,321,000 and RMB345,202,000 (2015: RMB903,429,000 and RMB7,137,000), respectively. The balance of junior private notes is repayable on 15 December 2017 (note 23).

EB-5 Loans carry interest ranging from 4.0% to 4.5% per annum and are guaranteed by a subsidiary. The balances of RMB93,519,000, RMB32,010,000 and RMB27,450,000 are repayable on 3 January 2020, 17 February 2021 and 30 November 2021, respectively.

Borrowings are repayable as follows:

Within one year	一年內
Between one and two years	一至兩年
Between two and five years	兩至五年

29 借款(續)

- (vi) 投資物業人民幣290,920,000元(二零一五年：人民幣249,170,000元)(附註19)。

來自最終控股公司的貸款乃經一間位於中國的銀行以委託貸款安排形式取得。該等結餘為無抵押，並按年利率5.3%至6.6%計息。

優先私募債券由若干附屬公司的股份擔保，按年利率9.5%計息。優先私募債券的結餘於二零一八年四月三十日支付。

次級私募債券免息，由租賃土地及開發支出分別人民幣862,321,000元及人民幣345,202,000元(二零一五年：人民幣903,429,000元及人民幣7,137,000元)擔保。次級私募債券的結餘於二零一七年十二月十五日支付(附註23)。

EB-5貸款年利率介乎4.0%至4.5%並由一間附屬公司擔保。結餘人民幣93,519,000元、人民幣32,010,000元及人民幣27,450,000元分別於二零二零年一月三日、二零二一年二月十七日及二零二一年十一月三十日償還。

借款應於下列時間償還：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
		1,267,990	1,111,117
		2,022,747	3,138,401
		2,792,604	2,636,838
		6,083,341	6,886,356

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

30 DEFERRED TAXATION

The deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Deferred income tax liabilities to be settled after more than one year	將於超過一年後結算的遞延所得稅負債	52,850	42,413
Deferred income tax assets:	遞延所得稅資產：		
– to be recovered within one year	– 將於一年內收回	75,232	14,987
– to be recovered after more than one year	– 將於超過一年後收回	78,377	71,646
		153,609	86,633

The movements in the net deferred tax asset/(liabilities) are as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
At 1 January	於一月一日	44,220	(7,503)
Credited to profit or loss (note 12)	在損益抵免 (附註 12)	56,135	51,245
Currency translation differences	貨幣換算差額	404	478
At 31 December	於十二月三十一日	100,759	44,220

30 遞延稅項

當有合法可強制執行權利將現有稅項資產與現有稅項負債抵銷，且遞延所得稅涉及同一財政機關，則可將遞延稅項資產與負債互相抵銷。淨值如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Deferred income tax liabilities to be settled after more than one year	將於超過一年後結算的遞延所得稅負債	52,850	42,413
Deferred income tax assets:	遞延所得稅資產：		
– to be recovered within one year	– 將於一年內收回	75,232	14,987
– to be recovered after more than one year	– 將於超過一年後收回	78,377	71,646
		153,609	86,633

遞延稅項資產/(負債)淨值變動如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
At 1 January	於一月一日	44,220	(7,503)
Credited to profit or loss (note 12)	在損益抵免 (附註 12)	56,135	51,245
Currency translation differences	貨幣換算差額	404	478
At 31 December	於十二月三十一日	100,759	44,220

30 DEFERRED TAXATION (Continued)

Movements in the deferred tax liabilities, prior to offsetting, are as follows:

30 遞延稅項(續)

抵銷前的遞延稅項負債變動如下：

		Revaluation of investment properties	Difference in capitalized interests	Accelerated tax depreciation	Unrealised exchange gains	Total
		投資性 物業重估	資本化 利息差額	加速稅項折舊	未變現 匯兌利得	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2015	於二零一五年一月一日	31,401	-	-	-	31,401
Charged to profit or loss	在損益支銷	11,012	4,607	206	4,983	20,808
Currency translation differences	貨幣換算差額	-	187	8	202	397
At 31 December 2015 (Restated)	於二零一五年十二月三十一日 (經重列)	42,413	4,794	214	5,185	52,606
Charged to profit or loss	在損益支銷	10,437	35,872	620	54,480	101,409
Currency translation differences	貨幣換算差額	-	1,859	41	2,681	4,581
At 31 December 2016	於二零一六年十二月三十一日	52,850	42,525	875	62,346	158,596

No deferred tax liability has been recorded on temporary differences of RMB1,165,753,000 (2015: RMB673,999,000) relating to the withholding tax on the undistributed earnings of a PRC incorporated subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

由於本集團能控制暫時差額撥回的時間及暫時差額可能不會於可見未來撥回，故並無就一間於中國註冊成立的附屬公司的未分派收益所涉及的預扣稅的暫時差額人民幣1,165,753,000元(二零一五年：人民幣673,999,000元)錄得遞延稅項負債。

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30 DEFERRED TAXATION (Continued)

The movements in the deferred tax assets, prior to offsetting, are as follows:

30 遞延稅項(續)

抵銷前的遞延稅項資產變動如下：

		Tax losses
		稅項虧損
		RMB'000
		人民幣千元
At 1 January 2015 (Restated)	於二零一五年一月一日 (經重列)	23,898
Credited to profit or loss	在損益抵免	72,053
Currency translation differences	貨幣換算差額	875
At 31 December 2015 (Restated)	於二零一五年十二月三十一日 (經重列)	96,826
Credited to profit or loss	在損益抵免	157,544
Currency translation differences	貨幣換算差額	4,985
At 31 December 2016	於二零一六年十二月三十一日	259,355

At the reporting date, the Group has unused tax losses RMB41,029,000 (2015: RMB48,820,000) available for offset against future profits which have not been recognised due to the unpredictability of future profit streams. The tax losses would expire within five years.

於報告日期，由於不可預見未來利潤流，故本集團並無確認可用作抵銷未來利潤的未動用稅項虧損人民幣41,029,000元(二零一五年：人民幣48,820,000元)。稅項虧損將於五年內屆滿。

31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

31 應付非控制性權益款項

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Non-current liabilities	非流動負債		
Amounts due to non-controlling interests (i)	應付非控制性權益款項 (i)	211,492	-
Current liabilities	流動負債		
Amounts due to non-controlling interests	應付非控制性權益款項	-	45,014
		211,492	45,014

As of 31 December 2016, the amounts due to non-controlling interests are unsecured and bear interest ranging from 10% to 12% per annum. The balance of RMB96,498,000 is repayable in December 2019 and the remaining balances have no fixed term of repayment.

於二零一六年十二月三十一日，應付非控制性權益款項無抵押及按介乎10%至12%的年利率計息。結餘人民幣96,498,000元須於二零一九年十二月償還，其餘無固定還款期。

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32 SHARE CAPITAL

32 股本

	Note 附註	2016 二零一六年			2015 二零一五年		
		Number of shares 股份數目 '000 千股	Nominal value of ordinary share 普通股面值 HK\$'000 千港元	Equivalent nominal value of ordinary share 普通股等額面值 RMB'000 人民幣千元	Number of shares 股份數目 '000 千股	Nominal value of ordinary share 普通股面值 HK\$'000 千港元	Equivalent nominal value of ordinary share 普通股等額面值 RMB'000 人民幣千元
Ordinary shares, issued and fully paid:							
At 1 January		3,306,912	33,069	26,665	2,979,909	29,799	23,939
Issuance of shares	(a)	610,659	6,107	5,135	327,003	3,270	2,726
At 31 December		3,917,571	39,176	31,800	3,306,912	33,069	26,665

(a) On 29 January 2016, the Company completed of issuing 610,659,269 ordinary shares of HK\$0.01 each at a price of HK\$0.718 per share to Landsea International to acquire Epic China (note 2). Accordingly, 610,659,269 ordinary shares of HK\$0.01 each were issued at a premium of HK\$0.708 each and the premium on issue of shares of HK\$432,347,000 (equivalent to RMB360,943,000), net of issuance costs, was credited to the share premium account.

On 4 November 2015, the Company completed a placement of 327,002,604 ordinary shares of HK\$0.01 each at a price of HK\$0.6529 per share to a third party. Accordingly, 327,002,604 ordinary shares of HK\$0.01 each were issued at a premium of HK\$0.6429 each and the premium on issue of shares of HK\$210,229,974 (equivalent to RMB174,491,000), net of issuance costs, was credited to the share premium account.

(a) 於二零一六年一月二十九日，本公司完成按每股作價 0.718 港元向 Landsea International 發行 610,659,269 股每股面值 0.01 港元的普通股以收購 Epic China (附註 2)。因此，610,659,269 股每股面值 0.01 港元的普通股已按每股 0.708 港元的溢價發行，而發行股份的溢價 432,347,000 港元（相當於人民幣 360,943,000 元）在扣除發行費用後計入股份溢價賬。

於二零一五年十一月四日，本公司完成按每股作價 0.6529 港元向一名第三方配售 327,002,604 股每股面值 0.01 港元的普通股。因此，327,002,604 股每股面值 0.01 港元的普通股已按每股 0.6429 港元的溢價發行，而發行股份的溢價 210,229,974 港元（相當於人民幣 174,491,000 元）在扣除發行費用後計入股份溢價賬。

33 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEME

(A) SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 25 April 2012, the current share option scheme (the “Scheme”) was adopted by the Company. Since the adoption of the Scheme, no further options can be granted under the old scheme.

The Company operates the Scheme for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the directors (including executive and non-executive directors), other employees, suppliers, customers, person or entity providing research, development and other technical support, investee entity and any professional advisor and business consultant of the Group from time to time determined by the directors as having contributed or who may contribute to the development and growth of the Group. The Scheme is effective on 30 April 2012 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

Unless approved by shareholders of the Company, shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of grant.

Unless approved by shareholders of the Company, total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant including both exercised and unexercised options under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholder’s approval in a general meeting.

33 股份期權及限制性股份獎勵計劃

(A) 股份期權

根據於二零一二年四月二十五日舉行的本公司股東週年大會上通過的普通決議案，本公司採納目前的股份期權計劃（「該計劃」）。自採納該計劃以來，概無按舊計劃授出其他股份期權。

本公司設立該計劃，旨在嘉獎及酬謝對推動本集團業務成功的合資格參與者。該計劃的合資格參與者包括董事（包括執行及非執行董事）、其他僱員、供應商、客戶、提供研發及其他技術支援的人士或實體、投資對象實體以及及本集團不時的任何專業顧問及業務顧問（董事認為對本集團發展及增長曾經或可能作出貢獻者）。該計劃於二零一二年四月三十日生效，而除非以其他方式註銷或修訂，否則將自該日起10年期間內有效。

除非獲本公司股東批准，否則因行使按該計劃或本公司採納的任何其他股份期權計劃將予授出的所有股份期權而可予發行的股份總數，不得超過本公司於授出日期已發行股份的10%。

除非獲本公司股東批准，於任何十二個月期間，各參與者按該計劃或本公司採納的任何其他股份期權計劃獲授的股份期權（包括已行使及尚未行使）行使時，已發行及將予發行的本公司股份總數，不得超過本公司已發行股份的1%。如進一步授出的股份期權涉及的股份數目超逾此上限，須在股東大會上獲股東批准。

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33 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEME (Continued)

(A) SHARE OPTIONS (Continued)

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under any share option schemes of the Company if this will result in the limit being exceeded.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the official closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of nominal consideration of HK\$1 in total by the grantee. Each share option is vested immediately at the date when the option is accepted, which is the commencement of the exercise period. An option may be exercised in accordance with the term of the Scheme at any time during the period commencing one week from the date on which the option is accepted and expiring on a date to be notified by the directors to each grantee, which shall not be more than 10 years from the date on which the New Scheme is adopted.

33 股份期權及限制性股份獎勵計劃 (續)

(A) 股份期權 (續)

因行使按該計劃及本公司的任何其他計劃已授出但尚未行使的所有股份期權而可予發行的股份總數，不得超過不時已發行股份的30%。如授出股份期權將導致超逾此上限，則不得根據本公司任何股份期權計劃授出股份期權。

如向本公司董事、主要行政人員或主要股東或彼等的任何聯繫人授出股份期權，事前須經獨立非執行董事(不包括身為股份期權候任承授人的任何獨立非執行董事)批准。此外，如於任何十二個月期間向本公司主要股東或獨立非執行董事或彼等各自的任何聯繫人授出的股份期權涉及的股份數目超逾本公司於任何時間已發行股份的0.1%且總值(按本公司股份於授出日期的正式收市價計算)超逾5百萬港元，事前須在股東大會上獲股東批准。

授出股份期權的要約由提呈要約當日起計21日內可供接納，惟承授人須支付合共1港元的名義代價。每份股份期權於該份股份期權被接納當日(即行使期開始)起隨即歸屬。於股份期權獲接納當日起計一星期至董事將知會各承授人的日期(不得遲於該新計劃採納當日起計10年)止期間內，股份期權可隨時按該計劃的條款行使。

33 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEME (Continued)

(A) SHARE OPTIONS (Continued)

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet issued by the SEHK on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the SEHK for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the board of directors at the time the option is offered to the participants.

The scheme limit under the Scheme is 198,660,605 shares, representing 10.0% of the issued share capital of the Company on 25 April 2012, being the adoption date of the Scheme and approximately 5.1% of the issued share capital of the Company on 24 March 2017, being the date of the Annual Report.

The Scheme

There was no outstanding share option under the Scheme as at 31 December 2016 and 31 December 2015.

(B) RESTRICTED SHARE AWARD SCHEME

On 2 July 2014, the Group adopted a share award scheme (the "Share Award Scheme") as an incentive to recognise the contributions by employees and to give incentives in order to retain them for the continuing operation and development of the Group, as well as to attract suitable personnel for further development of the Group.

33 股份期權及限制性股份獎勵計劃 (續)

(A) 股份期權 (續)

因行使股份期權將予發行的本公司股份的認購價不得低於以下各項中的較高數值：(i)本公司股份於授出日期在香港聯交所發出的每日報價表所示的收市價；(ii)本公司股份於緊接授出日期前五個營業日在香港聯交所發出的每日報價表所示的收市價平均值；及(iii)本公司股份於授出日期的面值。董事局將於向參與者提呈股份期權時釐定認購價。

根據該計劃，計劃上限為198,660,605股，相當於本公司於二零一二年四月二十五日(即該計劃獲採納日期)已發行股本的10.0%及本公司於二零一七年三月二十四日(即年報日期)已發行股本約5.1%。

該計劃

於二零一六年十二月三十一日及二零一五年十二月三十一日，該計劃下並無尚未行使的股份期權。

(B) 限制性股份獎勵計劃

於二零一四年七月二日，本集團採納股份獎勵計劃(「股份獎勵計劃」)，作為獎勵以嘉許僱員所作出的貢獻，激勵彼等為本集團的持續經營及發展所付出的努力，並為本集團進一步發展吸引適合人才。

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33 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEME (Continued)

(B) RESTRICTED SHARE AWARD SCHEME

(Continued)

Pursuant to the Share Award Scheme, existing shares of the Company will be purchased or new shares will be subscribed for ("Restricted Shares") by a trustee appointed by the Company and be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the rules of the Share Award Scheme. The Restricted Shares will be awarded with reference to the performance, operating and financial targets and other criteria determined by the Board from time to time.

Details of the Restricted Shares granted by the Company are as follows:

Name of employees		Fair value per share (HK\$)	Outstanding at 1 January 2016	Granted during the year	Outstanding at 31 December 2016
僱員姓名		每股公允價值 (港元)	於二零一六年一月一日尚未行使	本年度授出	於二零一六年十二月三十一日尚未行使
Directors	董事				
Tian Ming	田明	0.68	1,596,000	1,681,500	3,277,500
Xiang Jiong	向炯	0.68	1,596,000	1,681,500	3,277,500
Shen Leying	申樂瑩	0.68	1,064,000	1,150,500	2,214,500
Xie Yuanjian	謝遠建	0.68	1,064,000	973,500	2,037,500
Zhou Qin	周勤	0.68	620,000	885,000	1,505,000
			5,940,000	6,372,000	12,312,000
Other employees	其他僱員				
In aggregate	總計	0.68	11,888,000	11,062,500	22,950,500
			17,828,000	17,434,500	35,262,500

The outstanding Restricted Shares were fully vested as at 31 December 2016 and 31 December 2015.

The group recognized total expenses of RMB10,245,000 (2015: RMB6,459,000) (note 10) relating to the share based compensation during the year.

33 股份期權及限制性股份獎勵計劃 (續)

(B) 限制性股份獎勵計劃 (續)

根據股份獎勵計劃，本公司所委任的受託人將購買本公司現有股份或認購新股份作為「限制性股份」，並以信託方式代相關承授人持有，直至有關股份根據股份獎勵計劃的規則歸屬於相關承授人為止。限制性股份將參考董事局不時釐定的表現、經營及財務目標以及其他標準予以授出。

本公司所授出限制性股份的詳情如下：

於二零一六年十二月三十一日及二零一五年十二月三十一日，尚未行使的限制股份已全數歸屬。

於本年度，本集團就股權報酬確認總支出人民幣10,245,000元(二零一五年：人民幣6,459,000元)(附註10)。

34 CONVERTIBLE PERPETUAL SECURITIES

The movements in the convertible perpetual securities are as follows:

34 可換股永久證券

可換股永久證券的變動載列如下：

		Convertible perpetual securities 可換股永久證券 RMB'000 人民幣千元
At 1 January 2015	於二零一五年一月一日	—
Issuance of convertible perpetual securities (a)	發行可換股永久證券(a)	109,200
Distribution accrued	應計分派	854
At 31 December 2015	於二零一五年十二月三十一日	110,054
Issuance of convertible perpetual securities (b)	發行可換股永久證券(b)	363,847
Distribution accrued	應計分派	18,661
Distribution paid	已付分派	(8,358)
At 31 December 2016	於二零一六年十二月三十一日	484,204

- (a) In November 2015, the Company entered into an agreement with a third party (the “third party investor”) pursuant to which the investor agreed to subscribe for convertible perpetual securities issued by the Company with an aggregate principal amount of HK\$130,000,000 (equivalent to RMB109,200,000).

The convertible perpetual securities do not have a fixed maturity date and may be converted into ordinary shares of the Company at any time at the option of the third party investor at an initial conversion price of HK\$0.7508 per share subject to certain anti-dilutive adjustments.

- (a) 於二零一五年十一月，本公司與一名第三方(「第三方投資者」)訂立協議，據此，投資者同意認購本公司所發行本金額合共130,000,000港元(相當於人民幣109,200,000元)的可換股永久證券。

可換股永久證券並無固定到期日，第三方投資者可選擇隨時按初步兌換價每股0.7508港元(可作出若干反稀釋調整)兌換為本公司普通股。

NOTES TO THE FINANCIAL STATEMENTS

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34 CONVERTIBLE PERPETUAL SECURITIES

(Continued)

(a) (Continued)

The Company paid a final dividend of RMB3.3 cents (equivalent to HK4 cents) per share for the year ended 31 December 2015 on 6 July 2016 to Shareholders whose names appeared on the register of members of the Company on 20 June 2016 (the "Record Date"), which constitutes an adjustment event of the initial conversion price pursuant to the terms and conditions of the securities. The Company issued a written notice to the security holder on 13 January 2017 in respect of the adjustment made to the initial conversion price from HK\$0.7508 per Share to HK\$0.7050 per share with retrospective effect from 21 June 2016, being the date immediately following the Record Date.

The Company may, at its discretion, elect to defer (in whole or in part) any distribution unless certain compulsory distribution payment events have occurred and redeem or purchase the convertible perpetual securities i) for taxation reasons; ii) on the third anniversary of the completion date; and iii) upon certain events as set out in the agreement.

Distribution shall be payable on the convertible perpetual securities to the investor semi-annually in arrear at the following rate of distribution:

- (i) 7.5% per annum in respect of the period from the completion date to the third anniversary of the completion date; and
- (ii) 13.5% per annum after the third anniversary of the completion date

- (b) In January 2016, the Company issued convertible perpetual securities to Landsea International with an aggregate principal amount of HK\$432,687,009 (equivalent to RMB363,847,000) to acquire Epic China (note 2).

34 可換股永久證券(續)

(a) (續)

由於本公司於二零一六年七月六日向於二零一六年六月二十日(「記錄日期」)名列本公司股東名冊之股東派發截至二零一五年十二月三十一日止年度之末期股息每股人民幣3.3分(相當於4港仙)，根據證券的條款及條件構成初步兌換價的調整事項，本公司已於二零一七年一月十三日向證券持有人發出書面通知，將初步兌換價由每股0.7508港元調整至每股0.7050港元，追溯至緊隨記錄日期後當天生效，即二零一六年六月二十一日。

除非發生若干強制分派支付事件，否則本公司可 i) 就稅務原因；ii) 於完成日期第三週年；及 iii) 按協議所載的若干事件，酌情選擇遞延任何全部或局部分派及贖回或購買可換股永久證券。

須每半年以後付形式按以下分派息率向投資者作出可換股永久證券的分派：

- (i) 完成日期起至完成日期第三週年的年息率為7.5%；及
- (ii) 完成日期第三週年後的年息率為13.5%。

- (b) 於二零一六年一月，本公司向Landsea International發行本金額合共432,687,009港元(相當於人民幣363,847,000元)的可換股永久證券，以收購Epic China(附註2)。

34 CONVERTIBLE PERPETUAL SECURITIES

(Continued)

(b) (Continued)

The convertible perpetual securities do not have a fixed maturity date and may be converted into ordinary shares of the Company at any time at the option of Landsea International at an initial conversion price of HK\$0.9334 per share subject to certain anti-dilutive adjustments.

Distribution shall be payable on the convertible perpetual securities to Landsea International semi-annually in arrear at 3% per annum of distribution.

The Company may, at its sole discretion, elect to defer (in whole or in part) any distribution and redeem or purchase the convertible perpetual securities: (i) for taxation reasons; (ii) on or after the third anniversary of the acquisition date.

The convertible perpetual securities issued to Landsea international didn't trigger the conversion price adjustment of the convertible perpetual securities issued to the third party investor.

During the year ended 31 December 2016, the Group has accrued and paid distribution of RMB18,661,000 and RM8,358,000, respectively (2015: RMB854,000 and Nil, respectively).

34 可換股永久證券(續)

(b) (續)

可換股永久證券並無固定到期日，Landsea International可選擇隨時按初步兌換價每股0.9334港元(可作出若干反稀釋調整)兌換為本公司普通股。

須每半年以後付形式按3%的年派息率向Landsea International作出可換股永久證券的分派。

本公司可(i)就稅務原因；(ii)於收購日期第三週年或之後，酌情選擇遞延(全部或部分)分派及贖回或購買可換股永久證券。

向Landsea International發行可換股永久證券並無導致調整發行予第三方投資者的可換股永久證券之兌換價。

截至二零一六年十二月三十一日止年度，本集團擁有應計及已付分派分別為人民幣18,661,000元及人民幣8,358,000元(二零一五年：分別為人民幣854,000元及零)。

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財務報表附註

35 RESERVES

35 儲備

		Merger reserve	Share premium (a)	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Statutory reserve (b)	Retained earnings	Total
		合併儲備	股份溢價(a)	折算儲備	股權報酬 儲備	僱員股份信託	贖回儲備	法定儲備(b)	留存收益	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2015	於二零一五年一月一日	-	576,617	(714)	3,096	(9,555)	23,185	12,646	706,471	1,311,746
Business combination between entities under common control (note 2)	共同控制實體的業務合併 (附註2)	12,460	-	36	-	-	-	3,271	16,727	32,494
At 1 January 2015 (Restated)	於二零一五年一月一日 (經重列)	12,460	576,617	(678)	3,096	(9,555)	23,185	15,917	723,198	1,344,240
Profit for the period	期間利潤	-	-	-	-	-	-	-	485,079	485,079
Other comprehensive income:	其他全面收益：									
Exchange differences arising from translation of foreign operations	換算海外業務產生的 匯兌差額	-	-	(142,446)	-	-	-	-	-	(142,446)
Total comprehensive income for the period	期間全面收益總額	-	-	(142,446)	-	-	-	-	485,079	342,633
Issuance of shares	發行股份	-	174,491	-	-	-	-	-	-	174,491
Accrued distribution to holders of convertible perpetual securities	可換股永久證券持有人 應計分派	-	-	-	-	-	-	-	(854)	(854)
Transfer to statutory reserve	轉撥至法定儲備	-	-	-	-	-	-	25,938	(25,938)	-
Dividend	股息	-	-	-	-	-	-	-	(64,541)	(64,541)
Employee share based compensation (note 10)	僱員股權報酬 (附註10)	-	-	-	6,459	-	-	-	-	6,459
Shares held for share award scheme	就股份獎勵計劃持有的股份	-	-	-	-	(21,198)	-	-	-	(21,198)
At 31 December 2015	於二零一五年 十二月三十一日	12,460	751,108	(143,124)	9,555	(30,753)	23,185	41,855	1,116,944	1,781,230

35 RESERVES (Continued)

35 儲備(續)

		Merger reserve	Share premium (a)	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Statutory reserve (b)	Other reserve	Contributed surplus	Retained earnings	Total
		合併儲備	股份溢價(a)	折算儲備	儲備	僱員股份信託	贖回儲備	法定儲備(b)	其他儲備	實繳盈餘	留存收益	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2016	於二零一六年一月一日	-	751,108	(141,418)	9,555	(30,753)	23,185	38,584	-	-	1,129,485	1,779,746
Business combination between entities under common control	共同控制實體的業務合併	12,460	-	(1,706)	-	-	-	3,271	-	-	(12,541)	1,484
At 1 January 2016 (Restated)	於二零一六年一月一日(經重列)	12,460	751,108	(143,124)	9,555	(30,753)	23,185	41,855	-	-	1,116,944	1,781,230
Profit for the period	期間利潤	-	-	-	-	-	-	-	-	-	595,439	595,439
Other comprehensive income:	其他全面收益:											
Exchange differences arising from translation of foreign operations	換算海外業務產生的匯兌差額	-	-	(141,026)	-	-	-	-	-	-	-	(141,026)
Total comprehensive income/(loss) for the period	期間全面收益/(虧損)總額	-	-	(141,026)	-	-	-	-	-	-	595,439	454,413
Employee share based compensation (note 10)	僱員股權報酬(附註10)	-	-	-	10,245	-	-	-	-	-	-	10,245
Shares held for share award scheme	就股份獎勵計劃持有的股份	-	-	-	-	1,846	-	-	-	-	-	1,846
Transaction with non-controlling interests	非控制性權益交易	-	-	-	-	-	-	-	24,426	-	-	24,426
Accrue distribution to holders of convertible perpetual securities (note 34)	可換股永久證券持有人應計分派(附註34)	-	-	-	-	-	-	-	-	-	(18,661)	(18,661)
Dividend	股息	-	-	-	-	-	-	-	-	(133,934)	-	(133,934)
Transfer to statutory reserve	轉撥至法定儲備	-	-	-	-	-	-	83,294	-	-	(83,294)	-
Issuance of shares	發行股份	-	360,943	-	-	-	-	-	-	-	-	360,943
Share premium reduction	削減股份溢價	-	(400,000)	-	-	-	-	-	-	248,645	151,355	-
Consideration paid for business combination between entities under common control	共同控制實體的業務合併所付代價	(95,856)	-	-	-	-	-	-	-	-	-	(95,856)
At 31 December 2016	於二零一六年十二月三十一日	(83,396)	712,051	(284,150)	19,800	(28,907)	23,185	125,149	24,426	114,711	1,761,783	2,384,652

(a) Pursuant to a resolution passed at the general meeting held on 10 June 2016, an amount of RMB400,000,000 was transferred from the share premium account to the contributed surplus and retained earnings, respectively. Under the Companies Act 1981 of Bermuda, a Company may make distributions to its Shareholders out of the contributed surplus under certain circumstances.

(a) 根據於二零一六年六月十日舉行之股東大會通過的決議案，人民幣400,000,000元由股份溢價賬分別劃撥至實繳盈餘和未分配利潤。根據百慕達一九八一年公司法，公司可在若干情況下以實繳盈餘向股東作出分派。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

35 RESERVES (Continued)

(b) In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the statutory reserves has to be made prior to profit distribution to the investor. The appropriation to the statutory reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

36 DISPOSALS OF SUBSIDIARIES

For the year ended 31 December 2016, the Group disposed certain interests in several wholly owned subsidiaries as follow:

35 儲備(續)

(b) 根據中華人民共和國外商獨資企業法及本集團於中國註冊成立的附屬公司的組織章程細則，向投資者作出溢利分派前，須對法定儲備作出分配。該等外資企業分配至法定儲備的金額不得少於純利的10%，直至累計分配超過註冊資本的50%為止。

36 出售附屬公司

截至二零一六年十二月三十一日止年度，本集團出售幾間全資附屬公司的若干權益如下：

		RMB'000 人民幣千元
Consideration received:	所收代價：	
Hangzhou Langdong Investment Limited (a)	杭州朗動投資有限公司 (a)	293,393
Hangzhou Langping Property Co., Ltd (a)	杭州朗平置業有限公司 (a)	201,376
LS-Boston Point LLC (b)	LS-Boston Point LLC (b)	124,614
Shanghai Langyu Properties Development Limited (b)	上海朗域房地產開發有限公司 (b)	100,000
		719,383

The disposal had resulted in total net gain of RMB165,304,000 (note 9).

是項出售錄得淨利得合共人民幣165,304,000元(附註9)。

36 DISPOSALS OF SUBSIDIARIES (Continued)

(A) DISPOSAL OF SUBSIDIARIES WITHOUT RETAINED EQUITY INTERESTS

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

36 出售附屬公司(續)

(A) 出售附屬公司(無保留權益)

出售之淨資產與出售利得及現金流入對賬如下：

		RMB'000 人民幣千元
Net assets disposed of comprise:	出售淨資產包括：	
Properties under development	開發中房地產	434,167
Other receivables	其他應收款	203,441
Cash and cash equivalents	現金及現金等價物	11,959
Interest in an associate	於聯營公司的權益	2,450
Other assets	其他資產	544
Borrowings	借款	(270,000)
Shareholder loans	股東貸款	(389,764)
Other liabilities	其他負債	(2,050)
Group's share of net liabilities disposed of	本集團分佔出售淨負債	(9,253)
Consideration received from disposal	出售收取的代價	105,005
Gain on disposal of a subsidiary	出售一間附屬公司之利得	114,258
Total consideration	總代價	494,769
Less: Shareholder loans	減：股東貸款	(389,764)
Less: Cash and cash equivalents in the entities disposed	減：所出售實體的現金及現金等價物	(11,959)
Net cash inflow arising from disposal:	出售產生之淨現金流入：	93,046

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

36 DISPOSALS OF SUBSIDIARIES (Continued)

(B) DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL RETAINED AS A JOINT VENTURE

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

36 出售附屬公司(續)

(B) 出售保留為合營企業之附屬公司(失去控制權)

出售之淨資產與出售利得及現金流入對賬如下：

		RMB'000 人民幣千元
Net assets disposed of comprise:	出售淨資產包括：	
Properties under development	開發中房地產	1,031,045
Interest in a joint venture	於一間合營企業的權益	238,672
Cash and cash equivalents	現金及現金等價物	5,101
Other assets	其他資產	573
Property, plant and equipment	不動產、工廠及設備	43
Creditors and accruals	應付賬款及應計費用	(621,594)
Borrowings	借款	(250,000)
Other liabilities	其他負債	(401)
Translation reserve	折算儲備	66
		<hr/>
Group's share of net assets disposed of	本集團分佔出售淨資產	403,505
		<hr/>
Recognition of interest in joint ventures	確認合營企業權益	229,936
Consideration received from disposal	出售收取的代價	224,615
		<hr/>
Gain on disposal of a subsidiary	出售一間附屬公司之利得	51,046
		<hr/>
Total consideration	總代價	224,614
Less: Cash and cash equivalents in the entities disposed	減：所出售實體的現金及現金等價物	(5,101)
		<hr/>
Net cash inflow arising from disposal:	出售產生之淨現金流入：	219,513

37 COMMITMENTS

(A) OPERATING LEASE ARRANGEMENT

Group – As lessee

At the reporting date, the Group had outstanding commitment for future minimum lease payments under non-cancellable operating leases as follows:

37 承擔

(A) 經營租賃安排

本集團 – 作為承租人

於報告日期，本集團根據不可撤銷經營租賃之未償未來最低租賃付款承擔如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Within one year	一年內	23,153	2,386
In the second to fifth year inclusive	第二至第五年（包括首尾兩年）	37,256	3,126
		60,409	5,512

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

37 COMMITMENTS (Continued)

(A) OPERATING LEASE ARRANGEMENT

(Continued)

Group – As lessor

The Group leases its investment property under operating lease arrangements, with lease terms ranging from one to twenty years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

Within one year	一年內
In the second to fifth year inclusive	第二至第五年(包括首尾兩年)
After five years	五年後

37 承擔(續)

(A) 經營租賃安排(續)

本集團 – 作為出租人

本集團根據經營租賃安排出租其投資物業，租期介乎一至二十年，可選擇於屆滿日期或本集團與各租戶互相協定之日期續租。此外，租賃條款一般規定租戶支付保證金及根據當時現行市況定期調整租金。

於報告日期，本集團有以下與租戶訂約之未來最低租賃付款：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
		20,513	12,478
		57,105	35,547
		14,992	16,876
		92,610	64,901

(B) CAPITAL COMMITMENT

As at 31 December 2016, the Group had the following capital commitments:

Authorised but not contracted for:	經授權但未訂約：
– Purchase of leasehold land payments	– 購買租賃土地付款
– Development expenditure	– 開發支出
Contracted but not provided for:	已訂約但未撥備：
– Purchase of leasehold land payments	– 購買租賃土地付款
– Development expenditure	– 開發支出

(B) 資本承擔

於二零一六年十二月三十一日，本集團之資本承擔如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
		–	–
		2,157,049	–
		–	512,500
		1,909,406	–

38 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to cash generated from operations is as follows:

38 經營所得現金

除所得稅前利潤與經營所得現金的對賬如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Profit before income tax	除所得稅前利潤	832,467	663,990
<i>Adjustments for:</i>	<i>調整：</i>		
Interest income (note 8)	利息收入 (附註 8)	(14,700)	(16,265)
Depreciation of property, plant and equipment (note 20)	不動產、工廠及設備的折舊 (附註 20)	12,417	1,514
Fair value gain on investment property (note 19)	投資性物業的公允價值利得 (附註 19)	(41,750)	(44,047)
Interest expense (note 11)	利息費用 (附註 11)	194,085	49,913
Gains on disposals of subsidiaries (note 9)	出售附屬公司的利得 (附註 9)	(165,304)	(235)
Share of (gains)/losses of associates	應佔聯營公司 (利得) / 虧損	(45,088)	11,085
Share of (gains)/losses of joint ventures	應佔合營企業 (利得) / 虧損	(24,930)	10,445
Employee share based compensation (note 10)	僱員股權報酬 (附註 10)	10,245	6,459
Gain on disposal of property, plant and equipment (note 9)	出售不動產、工廠及設備的利得 (附註 9)	(56)	(718)
Provision for write-down of properties held for sale (note 21)	撇減持作銷售物業撥備 (附註 21)	2,157	-
Provision for trade receivables (note 24)	應收賬款撥備 (附註 24)	2,138	-
Operating profit before movements in working capital	除營運資本變動前的經營利潤	761,681	682,141
Increase in properties held for sale	持作銷售物業增加	(223,254)	(102,584)
Increase in properties under development	開發中房地產增加	(1,220,797)	(1,573,538)
Increase in inventories	庫存增加	(16,378)	(5,930)
Decrease/(Increase) in deposits for purchase of land	購買土地的按金減少 / (增加)	687,300	(729,300)
Increase in trade receivables	應收賬款增加	(140,425)	(80,922)
Increase in other receivables, prepayments and deposits	其他應收款、預付款及按金增加	(905,381)	(220,293)
Increase in advanced proceeds received from customers	向客戶收取的預付所得款項增加	1,942,985	2,453,657
(Increase)/Decrease in restricted cash	受限制現金 (增加) / 減少	(47,409)	1,322,079
Increase in creditors and accruals	應付賬款及應計費用增加	1,567,575	266,057
Decrease/(Increase) in employee share trust	僱員股份信託減少 / (增加)	1,846	(21,198)
Decrease in amount due from related parties	應收關聯方款項減少	3,819	-
Net cash generated from operations	經營所得現金淨額	2,411,562	1,990,169

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

39 RELATED PARTY BALANCES AND TRANSACTIONS

(A) AMOUNTS DUE FROM RELATED PARTIES

39 關聯方結餘及交易

(A) 應收關聯方款項

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Amounts due from associates (i)	應收聯營公司款項 (i)	650,919	-
Amounts due from joint ventures (ii)	應收合營企業款項 (ii)	167,352	-
		818,271	-

(i) As of 31 December 2016, the amounts due from associates are unsecured and repayable within one year. The balances bear interest ranging from 8% to 14% per annum.

(ii) As of 31 December 2016, the amounts due from joint ventures are unsecured and repayable on demand. The balance of RMB100,000,000 bears interest at 8% and the remaining balance is interest-free.

The carrying amounts of amounts due from related parties approximate their fair values.

(i) 截至二零一六年十二月三十一日，應收聯營公司款項為無抵押，須於一年內償還。結餘按介乎8%至14%的年利率計息。

(ii) 截至二零一六年十二月三十一日，應收合營企業款項為無抵押，並按要求償還。結餘人民幣100,000,000元按8%的利率計息，餘下結餘免息。

應收關聯方款項的賬面值與其公允價值相若。

39 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)
(B) AMOUNTS DUE TO RELATED PARTIES

39 關聯方結餘及交易 (續)

(B) 應付關聯方款項

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Non-current liabilities	非流動負債		
Amount due to the ultimate holding company (i)	應付最終控股公司款項 (i)	869,830	–
Amounts due to associates companies (ii)	應付聯營公司款項 (ii)	707,182	–
Amount due to a joint venture (iii)	應付一間合營企業款項 (iii)	210,100	–
		1,787,112	–
Current liabilities	流動負債		
Amounts due to associates (ii)	應付聯營公司款項 (ii)	220,000	317,947
Amounts due to fellow subsidiaries (iv)	應付同系附屬公司款項 (iv)	105,360	825,976
Amount due to a joint venture	應付一間合營企業款項	–	94,057
		325,360	1,237,980

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

39 RELATED PARTY BALANCES AND TRANSACTIONS *(Continued)*

(B) AMOUNTS DUE TO RELATED PARTIES

- (i) As of 31 December 2016, the amount due to the ultimate holding company is unsecured, interest-free and repayable after one year from the end of this year.
- (ii) As of 31 December 2016, the amounts due to associates are unsecured. The balance of RMB220,000,000 is repayable within one year and bears interest ranging from 5.5% to 6.2% per annum. The remaining balances are interest-free and repayable after one year from the end of this year.
- (iii) As of 31 December 2016, the amount due to a joint venture is unsecured and repayable after one year from the end of this year. The balance of RMB160,000,000 bears interest at 7.5% per annum, the remaining balance is interest-free.
- (iv) As of 31 December 2016, the amount due to a fellow subsidiary is unsecured and repayable within one year. The balance bears interest at 5.5% per annum.

39 關聯方結餘及交易 (續)

(B) 應付關聯方款項

- (i) 截至二零一六年十二月三十一日，應付最終控股公司款項為無抵押、免息且須於本年末起計一年後償還。
- (ii) 截至二零一六年十二月三十一日，應付聯營公司款項為無抵押。結餘人民幣220,000,000元須於一年內償還，按介乎5.5%至6.2%的年利率計息，其餘免息且須於本年末起計一年後償還。
- (iii) 截至二零一六年十二月三十一日，應付合營企業款項為無抵押且須於本年末起計一年後償還。結餘人民幣160,000,000元按7.5%的年利率計息，其餘免息。
- (iv) 截至二零一六年十二月三十一日，應付同系附屬公司款項為無抵押且須於一年內償還。結餘按5.5%的年利率計息。

39 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(C) In addition to those related party transactions disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions.

39 關聯方結餘及交易 (續)

(C) 除該等綜合財務報表其他部分所披露之關聯方交易外，本集團有以下關聯方交易。

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)
Property development and management service fee income from associates and joint ventures (note 6) (i)	來自聯營公司及合營企業之項目開發管理服務費收益 (附註6) (i)	187,845	110,319
Property development and management service fee income from fellow subsidiaries (note 6) (ii)	來自同系附屬公司之項目開發管理服務費收益 (附註6) (ii)	74,045	530,528
Interest income received from associates (note 39(a)(i))	向聯營公司收利息 (附註 39(a)(i))	75,841	-
Interest income received from joint ventures (note 39(a)(ii))	向合營企業收利息 (附註 39(a)(ii))	19,223	8,063
Interest expense on loans from the ultimate holding company (iii)	來自最終控股公司之貸款利息費用 (iii)	100,296	89,334
Interest expense on loans from a joint venture (note 39(b)(iii))	來自一間合營企業之貸款利息費用 (附註 39(b)(iii))	15,817	-
Interest expense on loans from associates (note 39(b)(ii))	來自聯營公司之貸款利息費用 (附註 39(b)(ii))	13,058	-
Interest expense on loans from a fellow subsidiary (note 39(b)(iv))	來自一間同系附屬公司之貸款利息費用 (附註 39(b)(iv))	830	869

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

39 RELATED PARTY BALANCES AND TRANSACTIONS *(Continued)*

(C) *(Continued)*

- (i) During the year, the Group provided property development and management services to its associates and joint ventures, and the prices of these services are based on the prevailing market prices of similar services.

- (ii) Pursuant to the Property Development and Management Services Agreement entered into between the Group and its ultimate holding company on 23 February 2014, the Group has provided certain project management, sales management and financing advisory services to fellow subsidiaries since 1 April 2014. These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

The prices of these services are based on the prevailing market prices of similar services provided by the Group to independent third parties.

- (iii) The ultimate holding company provided interest bearing loans to the Group during the year. The interest expense on loans is based on prevailing market interest rate and is exempted from the reporting and disclosure requirement pursuant to Rule 14A.90 of the Listing Rules.

39 關聯方結餘及交易 (續)

(C) (續)

- (i) 年內，本集團向聯營公司及合營企業提供項目開發管理服務，該等服務以類似服務之現行市價為定價基準。

- (ii) 根據本集團與最終控股公司於二零一四年二月二十三日訂立之項目開發管理服務協議，本集團由二零一四年四月一日起向同系附屬公司提供若干項目管理、銷售管理及融資顧問服務。根據上市規則第14A章，該等交易屬於本集團之持續關連交易。

該等服務以本集團向獨立第三方提供類似服務之現行市價為定價基準。

- (iii) 年內，最終控股公司向本集團提供計息貸款。貸款利息費用乃按現行市場利率計算，並根據上市規則第14A.90條獲豁免遵守申報及披露規定。

39 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(D) Included in employee benefit expenses are key management personnel compensations which comprises the following categories:

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Short term employee benefits 短期僱員福利	29,776	14,214
Restricted share award 限制性股份獎勵	5,825	2,474
Contributions to retirement benefits schemes 退休福利計劃供款	820	291
	36,421	16,979

40 GUARANTEE

Guarantee in respect of mortgage facilities for certain purchasers (i) 就若干買家之按揭融資所提供擔保 (i)

Guarantee in respect of borrowings (ii) 就借款所提供擔保 (ii)

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Guarantee in respect of mortgage facilities for certain purchasers (i) 就若干買家之按揭融資所提供擔保 (i)	2,648,983	1,349,957
Guarantee in respect of borrowings (ii) 就借款所提供擔保 (ii)	141,558	-
	2,790,541	1,349,957

(i) The Group has in cooperation with certain financial institutions arranged mortgage loan facilities for its purchasers of properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the satisfaction of mortgaged loan by the purchase of properties, whichever is earlier. In the opinion of directors of the Company, the fair value of the financial guarantee contracts is not significant.

(ii) As at 31 December 2016, the Group provided a guarantee to Fenway Ventures Point Properties LLC, a 50% joint venture of LS-Boston Point LLC, for its bank borrowings. Obligations under such guarantees shall be discharged pursuant to the counter-indemnity provided by Landsea Group Co., Ltd.

39 關聯方結餘及交易 (續)

(D) 僱員福利費用包括涵蓋以下類別之主要管理人員補償：

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
短期僱員福利	29,776	14,214
限制性股份獎勵	5,825	2,474
退休福利計劃供款	820	291
	36,421	16,979

40 擔保

(i) 本集團與若干金融機構合作，為其物業買家安排按揭貸款融資並就該等買家之還款責任提供擔保。有關擔保將於買家獲發房地產擁有權證或物業買家償還按揭貸款（以較早者為準）後由銀行解除。本公司董事認為，財務擔保合約之公允價值並不重大。

(ii) 截至二零一六年十二月三十一日，本集團為銀行借款向Fenway Ventures Point Properties LLC（由LS-Boston Point LLC擁有50%權益的合營企業）提供擔保。該擔保責任將根據朗詩集團股份有限公司的對應賠償保證解除。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

41 PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows:

41 主要附屬公司

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Cathay Holdings Limited 國泰集團有限公司	Hong Kong 香港	2 shares of HK\$1 each 2股，每股1港元	-	100	-	Investment holding 投資控股
China Information Industry Limited 中國信息產業有限公司	Hong Kong 香港	2 shares of HK\$1 each 2股，每股1港元	-	100	-	Investment holding 投資控股
Dawning Information Industry (Shenzhen) Limited # 曙光信息產業(深圳)有限公司#	PRC 中國	HK\$152,120,000 152,120,000港元	-	100	-	Property leasing and building management 房地產租賃及樓宇管理
GOI Limited 香港	Hong Kong 香港	2 shares of HK\$1 each 2股，每股1港元	-	100	-	Investment holding 投資控股
Green Future Holdings Limited 綠色未來控股有限公司	Hong Kong 香港	1 share of HK\$1 1股，每股1港元	-	100	-	Investment holding 投資控股
Green Homeland Limited 綠色家園有限公司	Hong Kong 香港	1 shares of HK\$1 each 1股，每股1港元	-	100	-	Investment holding 投資控股
Green Theme Limited 香港	Hong Kong 香港	1 shares of HK\$1 each 1股，每股1港元	-	100	-	Investment holding 投資控股
New Phenomenon Technology Limited	BVI 英屬維爾京群島	1 share of US\$1 1股，每股1美元	-	100	-	Investment holding 投資控股
Aqua Sky Limited 尚晴有限公司	Hong Kong 香港	1 shares of HK\$1 each 1股，每股1港元	-	100	-	Investment holding 投資控股

41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司 (續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Easy Shine Global Limited 逸朗環球有限公司	Hong Kong 香港	1 shares of HK\$1 each 1股，每股1港元	-	100	-	Investment holding 投資控股
Nanjing Langming Real Estate Group Limited 南京朗銘地產集團有限公司	PRC 中國	RMB50,000,000 人民幣50,000,000元	-	100	-	Investment holding 投資控股
Hangzhou Langhong Property Limited** 杭州朗宏置業有限公司#	PRC 中國	RMB100,000,000 人民幣100,000,000元	-	100	-	Property development 房地產開發
Chengdu Langming Property Limited** 成都朗銘置業有限公司#	PRC 中國	RMB8,000,000 人民幣8,000,000元	-	100	-	Property development 房地產開發
Shanghai Langming Property development Limited** 上海朗銘房地產開發有限公司#	PRC 中國	RMB50,000,000 人民幣50,000,000元	-	100	-	Property development 房地產開發
Shanghai Langzhi Property Limited** 上海朗智置業有限公司#	PRC 中國	RMB8,000,000 人民幣8,000,000元	-	100	-	Property development 房地產開發
Suzhou Langkun Property Limited** 蘇州朗坤置業有限公司#	PRC 中國	RMB100,000,000 人民幣100,000,000元	-	55	45	Property development 房地產開發
Shanghai Langxin Properties Development Limited** 上海朗信房地產開發有限公司#	PRC 中國	RMB50,000,000 人民幣50,000,000元	-	100	-	Property development 房地產開發

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財務報表附註

41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司(續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Wuxi Langhua Development Co., Ltd.*#	PRC	RMB50,000,000	–	100	–	Property development
無錫朗華置業有限公司#	中國	人民幣50,000,000元				房地產開發
Nanjing Ganjia Investment Limited**	PRC	RMB8,000,000	–	100	–	Property development
南京乾嘉投資有限公司#	中國	人民幣8,000,000元				房地產開發
Nanjing Landsea Shenlu Property Management Limited**	PRC	RMB5,000,000	–	100	–	Property leasing and building management
南京朗詩深綠物業管理有限公司#	中國	人民幣5,000,000元				房地產租賃及樓宇管理
Nanjing Landsea Investment Management Limited**	PRC	RMB5,000,000	–	100	–	Investment holding
南京朗詩投資管理有限公司#	中國	人民幣5,000,000元				投資控股
Shanghai Landsea Investment Management Limited**	PRC	US\$5,000,000	–	100	–	Investment holding
上海朗詩投資管理有限公司#	中國	5,000,000美元				投資控股
Shanghai Langmao Investment Management Limited**	PRC	US\$500,000	–	100	–	Investment holding
上海朗茂投資管理有限公司#	中國	500,000美元				投資控股

41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司 (續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Nanjing Langqing Property Limited** 南京朗慶置業有限公司#	PRC 中國	HK\$1,371,480,000 1,371,480,000港元	-	100	-	Property development 房地產開發
Nanjing Landsea Construction and Decoration Limited** 南京朗詩建築裝飾有限公司#	PRC 中國	RMB1,000,000 人民幣 1,000,000元	-	100	-	Decoration and design 裝飾及設計
Zhejiang Langyue Construction and Decoration Limited** 浙江朗悅建築裝飾有限公司#	PRC 中國	RMB10,000,000 人民幣 10,000,000元	-	100	-	Decoration and design 裝飾及設計
Wuxi Minglang Property Limited** 無錫明朗置業有限公司#	PRC 中國	RMB50,000,000 人民幣 50,000,000元	-	100	-	Property development 房地產開發
Chongqing Langrui Equity Investment Fund Partnership (Limited Partnership)** 重慶朗睿股權投資基金合夥企業 (有限合夥)#	PRC 中國	RMB2,000,000,000 人民幣 2,000,000,000元	-	100	-	Investment holding 投資控股
Wuhan Langxi Equity Investment Fund Partnership (Limited Partnership)** 武漢朗熙股權投資基金合夥企業 (有限合夥)#	PRC 中國	RMB2,000,000,000 人民幣 2,000,000,000元	-	100	-	Investment holding 投資控股

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財務報表附註

41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司(續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Shanghai Langqing Investment Management Limited** 上海朗青投資管理有限公司#	PRC 中國	Subscription 認購	–	100	–	Investment holding 投資控股
Nanjing Xinbeisheng Investment Limited** 南京鑫貝盛投資管理有限公司#	PRC 中國	Subscription 認購	–	100	–	Investment holding 投資控股
Nanjing Bozhixin Investment Management Limited** 南京博之鑫投資管理有限公司#	PRC 中國	Subscription 認購	–	100	–	Investment holding 投資控股
Nanjing Xinhuisheng Investment Management Limited** 南京鑫輝盛投資管理有限公司#	PRC 中國	RMB8,000,000 人民幣8,000,000元	–	60	40	Investment holding 投資控股
Nanjing Xinzhousheng Investment Management Limited** 南京鑫洲盛投資管理有限公司#	PRC 中國	Subscription 認購	–	100	–	Investment holding 投資控股
Nanjing Xinmingsheng Investment Management Limited** 南京鑫明盛投資管理有限公司#	PRC 中國	Subscription 認購	–	100	–	Investment holding 投資控股
Suzhou Langrui Investment Management Limited** 蘇州朗銳投資管理有限公司#	PRC 中國	Subscription 認購	–	100	–	Investment holding 投資控股

41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司 (續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Hangzhou Langhui Investment Management Limited** 杭州朗輝投資管理有限公司*	PRC 中國	RMB5,000,000 人民幣 5,000,000 元	-	100	-	Investment holding 投資控股
Shanghai Langju Properties Development Limited** 上海朗居房地產開發有限公司*	PRC 中國	Subscription 認購	-	100	-	Property development 房地產開發
Beijing Landsea Investment Limited** 北京朗詩投資有限公司*	PRC 中國	Subscription 認購	-	100	-	Property development 房地產開發
Nanjing Landsea Landscape Limited** 南京朗詩園林景觀有限公司*	PRC 中國	RMB2,000,000 人民幣 2,000,000 元	-	100	-	Property development 房地產開發
Wuhan Langming Investment Limited** 武漢朗銘投資有限公司*	PRC 中國	Subscription 認購	-	100	-	Property leasing and building management 房地產租賃及樓宇管理
Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.** 中福頤養(天津)置業有限公司*	PRC 中國	RMB30,000,000 人民幣 30,000,000 元	-	75	25	Property development 房地產開發
Shanghai Landsea Planning and architectural design Co., Ltd.** 上海朗詩規劃建築設計有限公司 (原上海湯正規劃建築設計有限公司)*	PRC 中國	RMB3,000,000 人民幣 3,000,000 元	-	100	-	Decoration and design 裝飾及設計

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41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司(續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Wuhan Langheng Industrial Co. Ltd.*##	PRC	Subscription	-	100	-	Property development
武漢朗恒實業有限公司##	中國	認購				房地產開發
Shanghai Langji Enterprise Management Consulting Co., Ltd.**	PRC	Subscription	-	100	-	Investment holding
上海朗際企業管理諮詢有限公司#	中國	認購				投資控股
Hangzhou Langzheng Investment Limited**	PRC	Subscription	-	100	-	Investment holding
杭州朗正投資有限公司#	中國	認購				投資控股
Shanghai Langshan Industrial Co., Ltd.**	PRC	RMB10,000,000	-	100	-	Property development
上海朗杉實業有限公司#	中國	人民幣10,000,000元				房地產開發
Zhongfuleling (Tianjin) Real Estate Co., Ltd.*#	PRC	RMB30,000,000	-	35	65	Property development
中福樂齡(天津)置業有限公司#	中國	人民幣30,000,000元				房地產開發
Zhongfuyile (Tianjin) Real Estate Co., Ltd.*#	PRC	RMB30,000,000	-	35	65	Property development
中福頤樂(天津)置業有限公司#	中國	人民幣30,000,000元				房地產開發

41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司 (續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Chengdu Chengfeng Enterprise Management and Consultant Limited**	PRC	RMB820,000,000	-	100	-	Investment holding
成都城峰企業管理諮詢有限公司#	中國	人民幣 820,000,000 元				投資控股
Allgreen Properties (Chengdu) Pte. Ltd.**	PRC	RMB1,085,000,000	-	100	-	Property development
寰安置業(成都)有限公司#	中國	人民幣 1,085,000,000 元				房地產開發
Hangzhou Langkang Investment Co., Ltd.**	PRC	Subscription	-	100	-	Investment holding
杭州朗康投資有限公司#	中國	認購				投資控股
Landsea Holdings Corporation	US	US\$158,873,331	-	100	-	Investment holding
	美國	158,873,331 美元				投資控股
LS-Jordan Ranch LLC	US	US\$19,900,870	-	100	-	Real estate development and sales US
	美國	19,900,870 美元				房地產開發及銷售 — 美國
159 Aliso Ridge Loop LLC	US	US\$4,004,043	-	100	-	Sell real estate held for development US
	美國	4,004,043 美元				出售持作發展房地產 — 美國

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41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司(續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
LS-LA Simi LLC	US 美國	US\$21,786,756 21,786,756 美元	-	100	-	Real estate development and sales US 房地產開發及銷售 — 美國
LS-OC Portola LLC	US 美國	US\$102,849,956 102,849,956 美元	-	100	-	Real estate development and sales US 房地產開發及銷售 — 美國
LS-Walnut Creek LLC	US 美國	US\$12,945,233 12,945,233 美元	-	100	-	Real estate development and sales US 房地產開發及銷售 — 美國
LS-NJ Port Imperial LLC	US 美國	US\$96,335,191 96,335,191 美元	-	100	-	Real estate development and sales — New Jersey 房地產開發及銷售 — 新澤西
LS-Sunnyvale LLC	US 美國	US\$133,269,944 133,269,944 美元	-	71	29	Real estate development and sales — California 房地產開發及銷售 — 加州

41 PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows: (Continued)

41 主要附屬公司 (續)

於二零一六年十二月三十一日，本公司主要附屬公司詳情如下：(續)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
名稱	註冊成立地點及法律實體類別	已發行股本詳情	母公司直接持有普通股比例 (%)	本集團持有普通股比例 (%)	非控制性權益持有普通股比例 (%)	主要業務及經營地點
Long City Ventures Limited	BVI 英屬維爾京群島	US\$50,000 50,000 美元	-	100	-	Property development 房地產開發
Epic China Limited	BVI 英屬維爾京群島	US\$50,000 50,000 美元	-	100	-	Investment holding 投資控股
Landsea Equity LLC	Delaware 特拉華	US\$51,900,000 51,900,000 美元	-	100	-	Investment holding 投資控股

Limited liability company registered in the PRC

* For identification purpose only

於中國註冊之有限公司

* 僅供識別

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

42 ASSOCIATED COMPANIES

Particulars of the Group's associates as at 31 December 2016 are as follows:

42 聯營公司

於二零一六年十二月三十一日，本集團聯營公司的詳情如下：

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
名稱	成立／經營地點	擁有權益 百分比 (%)	主要業務
Hangzhou Wanye Property Co., Ltd.** 杭州萬業置業有限公司 #	PRC 中國	34	Property development 房地產開發
Suzhou Science and Technology Town Landsea Property Co., Ltd.** 蘇州科技城朗詩置業有限公司 #	PRC 中國	20	Property development 房地產開發
Nanjing Merchant Xingsheng Property Development Co., Ltd.** 南京招商興盛房地產有限公司 #	PRC 中國	30	Property development 房地產開發
Nanjing Aojian Properties Co., Ltd***(a) 南京奧建置業有限公司 #(a)	PRC 中國	12.97	Property development 房地產開發
Nanjing Xueheng Properties Co., Ltd** 南京學衡置業有限公司 #	PRC 中國	49.9	Property development 房地產開發
Chengdu Chenshi Properties Co., Ltd** 成都辰詩置業有限公司 #	PRC 中國	25	Property development 房地產開發
Hangzhou Langyou Properties Development Limited** 杭州朗優房地產開發有限公司 #	PRC 中國	49	Property development 房地產開發
Hangzhou Langning Investment Limited** 杭州朗寧投資有限公司 #	PRC 中國	27	Investment holding 投資控股
Chengdu Taihang Ruihong Properties Development Limited***(a) 成都太行瑞宏房地產開發有限公司 #(a)	PRC 中國	9.91	Property development 房地產開發
Hubei Xudong Minsheng Guangchang Property Limited** 湖北供銷徐東民生廣場置業有限公司 #	PRC 中國	20	Property development 房地產開發

Limited liability company registered in the PRC

* For identification purpose only

於中國註冊之有限公司

* 僅供識別

(a) The Group has one board seat in Nanjing Aojian Properties Co., Ltd. and Chengdu Taihang Properties Development Limited, respectively.

(a) 本集團於南京奧建置業有限公司及成都太行瑞宏房地產開發有限公司分別設有一個董事會席位。

43 JOINT VENTURES

Particulars of the Group's joint ventures as at 31 December 2016 are as follows:

43 合營企業

於二零一六年十二月三十一日，本集團合營企業的詳情如下：

Name	Place of establishment/ operations	Percentage of ownership interests (%) 擁有權權益百分比 (%)	Principal activities
名稱	成立／經營地點		主要業務
Nanjing Langrun Property Development Company Limited [#] 南京朗潤房地產開發有限公司 [#]	PRC 中國	50.1	Property development 房地產開發
Suzhou Langhong Property Limited ^{**} 蘇州朗宏置業有限公司 [#]	PRC 中國	51.0	Property development 房地產開發
Silver Knight Global Limited (HK)	Hong Kong 香港	38.46	Investment holding 投資控股
Hangzhou Langping Property Co., Ltd. ^{**} 杭州朗平置業有限公司 [#]	PRC 中國	50	Property development 房地產開發
Suzhou Gaotixincheng Landsea Properties Co., Ltd. ^{**} 蘇州高鐵新城朗詩置業有限公司 [#]	PRC 中國	30	Property development 房地產開發
Shenzhen Langxinhe Investment Company Limited (Limited Partnership) [#] 深圳朗信合投資中心(有限合夥) [#]	PRC 中國	23	Investment holding 投資控股
Wuhah Changan Investment Limited ^{**} 武漢朗詩長安投資有限公司 [#]	PRC 中國	60	Investment holding 投資控股
LS-Boston Point LLC	US 美國	50	JV with Ping An — invested in Boston project 與平安合營 — 投資 Boston 項目

[#] Limited liability company registered in the PRC
^{*} For identification purpose only

[#] 於中國註冊之有限公司
^{*} 僅供識別

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY BALANCE SHEET OF THE COMPANY

44 本公司資產負債表及儲備變動

本公司資產負債表

		As at 31 December 於十二月三十一日	
		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Non-current assets	非流動資產		
Investments in subsidiaries	於附屬公司之投資	78,126	–
Investments in joint ventures	於合營企業之投資	123,755	104,926
		201,881	104,926
Current assets	流動資產		
Other receivables, prepayments and deposits	其他應收款、預付款及按金	2,350	8,231
Amounts due from subsidiaries	應收附屬公司款項	4,120,585	3,320,372
Restricted cash	受限制現金	1,325	–
Cash and cash equivalents	現金及現金等價物	13,148	87,881
		4,137,408	3,416,484
Current liabilities	流動負債		
Creditors and accruals	應付賬款及應計費用	3,355	17,483
Amounts due to subsidiaries	應付附屬公司款項	1,985,429	4,684
Borrowings	借款	292,156	97,177
		2,280,940	119,344
Net current assets	流動資產淨值	1,856,468	3,297,140
Non-current liabilities	非流動負債		
Borrowings	借款	685,747	2,625,135
Net assets	淨資產	1,372,602	776,931

**44 BALANCE SHEET AND RESERVE
MOVEMENT OF THE COMPANY (Continued)**
BALANCE SHEET OF THE COMPANY (Continued)

44 本公司資產負債表及儲備變動(續)

本公司資產負債表(續)

		As at 31 December	
		於十二月三十一日	
		2016	2015
		二零一六年	二零一五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Equity	權益		
Share capital	股本	31,800	26,665
Convertible perpetual securities	可換股永久證券	484,204	110,054
		Note (a)	
		附註 (a)	
Reserves	儲備	856,598	640,212
		Note (a)	
		附註 (a)	
Total equity	總權益	1,372,602	776,931

The balance sheet of the Company was approved by the Board of Directors on 24 March 2017 and was signed on its behalf

本公司資產負債表已獲董事局於二零一七年三月二十四日批准，並由以下董事代表簽署

Xiang Jiong

向炯

Director

董事

Shen Leying

申樂瑩

Director

董事

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

BALANCE SHEET OF THE COMPANY (Continued)

Note (a) convertible perpetual securities and reserves movement of the Company

44 本公司資產負債表及儲備變動(續)

本公司資產負債表(續)

附註(a)本公司可換股永久證券及儲備變動

		Convertible perpetual securities	Reserves	Total
		可換股 永久證券	儲備	總計
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
		(i)		
At 1 January 2015	於二零一五年一月一日	–	712,035	712,035
Translation of foreign operation	換算海外業務	–	(32,541)	(32,541)
Loss for the year	年度虧損	–	(167,392)	(167,392)
Total comprehensive loss for the year	年度全面虧損總額	–	(199,933)	(199,933)
Issuance of shares	發行股份	–	174,491	174,491
Shares held for restricted share award scheme	為限制性股份獎勵計劃而持有之股份	–	6,459	6,459
Employee share based compensation	僱員股權報酬	–	(21,198)	(21,198)
Issuance of convertible perpetual securities (note 34)	發行可換股永久證券(附註 34)	109,200	–	109,200
Accrued distribution to holders of convertible perpetual securities	對可換股永久證券持有人之應計分派	854	(854)	–
Dividend	股息	–	(30,788)	(30,788)
At 31 December 2015	於二零一五年十二月三十一日	110,054	640,212	750,266

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

BALANCE SHEET OF THE COMPANY (Continued)

Note (a) convertible perpetual securities and reserves movement of the Company (Continued)

44 本公司資產負債表及儲備變動 (續)

本公司資產負債表 (續)

附註(a)本公司可換股永久證券及儲備變動(續)

		Convertible perpetual securities	Reserves	Total
		可換股 永久證券 RMB'000 人民幣千元	儲備 RMB'000 人民幣千元 (i)	總計 RMB'000 人民幣千元
At 1 January 2016	於二零一六年一月一日	110,054	640,212	750,266
Exchange difference arising from translation of foreign operation	換算海外業務所產生匯兌差額	-	153,219	153,219
Loss for the year	年度虧損	-	(157,272)	(157,272)
Total comprehensive loss for the year	年度全面虧損總額	-	(4,053)	(4,053)
Issuance of shares	發行股份	-	360,943	360,943
Shares held for restricted share award scheme	為限制性股份獎勵計劃而持有之股份	-	1,846	1,846
Employee share based compensation	僱員股權報酬	-	10,245	10,245
Issuance of convertible perpetual securities (note 34)	發行可換股永久證券 (附註 34)	363,847	-	363,847
Accrued distribution to holders of convertible perpetual securities	可換股永久證券持有人應計分派	18,661	(18,661)	-
Share premium reduction	削減股份溢價	-	-	-
Distributions to holders of convertible perpetual securities	可換股永久證券持有人分派	(8,358)	-	(8,358)
Dividend	股息	-	(133,934)	(133,934)
At 31 December 2016	於二零一六年十二月三十一日	484,204	856,598	1,340,802

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

BALANCE SHEET OF THE COMPANY (Continued)

Note (a) convertible perpetual securities and reserves movement of the Company (Continued)

(i)

		Share premium	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2015	於二零一五年一月一日	576,617	(2,364)	3,096	(9,555)	23,185	121,056	712,035
Exchange difference arising from translation of foreign operation	換算海外業務所產生匯兌差額	-	(32,541)	-	-	-	-	(32,541)
Loss for the year	年度虧損	-	-	-	-	-	(167,392)	(167,392)
Total comprehensive loss for the year	年度全面虧損總額	-	(32,541)	-	-	-	(167,392)	(199,933)
Issuance of shares	發行股份	174,491	-	-	-	-	-	174,491
Shares held for restricted share award scheme	為限制性股份獎勵計劃而持有之股份	-	-	6,459	-	-	-	6,459
Employee share based compensation	僱員股權報酬	-	-	-	(21,198)	-	-	(21,198)
Accrued distribution to holders of convertible perpetual securities	可換股永久證券持有人應計分派	-	-	-	-	-	(854)	(854)
Dividend	股息	-	-	-	-	-	(30,788)	(30,788)
At 31 December 2015	於二零一五年十二月三十一日	751,108	(34,905)	9,555	(30,753)	23,185	(77,978)	640,212

44 本公司資產負債表及儲備變動 (續)

本公司資產負債表 (續)

附註(a)本公司可換股永久證券及儲備變動(續)

(i)

		Share premium	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2015	於二零一五年一月一日	576,617	(2,364)	3,096	(9,555)	23,185	121,056	712,035
Exchange difference arising from translation of foreign operation	換算海外業務所產生匯兌差額	-	(32,541)	-	-	-	-	(32,541)
Loss for the year	年度虧損	-	-	-	-	-	(167,392)	(167,392)
Total comprehensive loss for the year	年度全面虧損總額	-	(32,541)	-	-	-	(167,392)	(199,933)
Issuance of shares	發行股份	174,491	-	-	-	-	-	174,491
Shares held for restricted share award scheme	為限制性股份獎勵計劃而持有之股份	-	-	6,459	-	-	-	6,459
Employee share based compensation	僱員股權報酬	-	-	-	(21,198)	-	-	(21,198)
Accrued distribution to holders of convertible perpetual securities	可換股永久證券持有人應計分派	-	-	-	-	-	(854)	(854)
Dividend	股息	-	-	-	-	-	(30,788)	(30,788)
At 31 December 2015	於二零一五年十二月三十一日	751,108	(34,905)	9,555	(30,753)	23,185	(77,978)	640,212

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

BALANCE SHEET OF THE COMPANY (Continued)

Note (a) convertible perpetual securities and reserves movement of the Company (Continued)

(i)

		Share premium	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Contributed surplus	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2016	於二零一六年一月一日	751,108	(34,905)	9,555	(30,753)	23,185	-	(77,978)	640,212
Exchange difference arising from translation of foreign operation	換算海外業務所產生匯兌差額	-	153,219	-	-	-	-	-	153,219
Loss for the year	年度虧損	-	-	-	-	-	-	(157,272)	(157,272)
Total comprehensive loss for the year	年度全面虧損總額	-	153,219	-	-	-	-	(157,272)	(4,053)
Issuance of shares	發行股份	360,943	-	-	-	-	-	-	360,943
Shares held for restricted share award scheme	為限制性股份獎勵計劃而持有之股份	-	-	-	1,846	-	-	-	1,846
Employee share based compensation	僱員股權報酬	-	-	10,245	-	-	-	-	10,245
Accrued distribution to holders of convertible perpetual securities	可換股永久證券持有人應計分派	-	-	-	-	-	-	(18,661)	(18,661)
Share premium reduction	削減股份溢價	(400,000)	-	-	-	-	248,645	151,355	-
Dividend	股息	-	-	-	-	-	(133,934)	-	(133,934)
At 31 December 2016	於二零一六年十二月三十一日	712,051	118,314	19,800	(28,907)	23,185	114,711	(102,556)	856,598

44 本公司資產負債表及儲備變動(續)

本公司資產負債表(續)

附註(a)本公司可換股永久證券及儲備變動(續)

(i)

		Share premium	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Contributed surplus	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2016	於二零一六年一月一日	751,108	(34,905)	9,555	(30,753)	23,185	-	(77,978)	640,212
Exchange difference arising from translation of foreign operation	換算海外業務所產生匯兌差額	-	153,219	-	-	-	-	-	153,219
Loss for the year	年度虧損	-	-	-	-	-	-	(157,272)	(157,272)
Total comprehensive loss for the year	年度全面虧損總額	-	153,219	-	-	-	-	(157,272)	(4,053)
Issuance of shares	發行股份	360,943	-	-	-	-	-	-	360,943
Shares held for restricted share award scheme	為限制性股份獎勵計劃而持有之股份	-	-	-	1,846	-	-	-	1,846
Employee share based compensation	僱員股權報酬	-	-	10,245	-	-	-	-	10,245
Accrued distribution to holders of convertible perpetual securities	可換股永久證券持有人應計分派	-	-	-	-	-	-	(18,661)	(18,661)
Share premium reduction	削減股份溢價	(400,000)	-	-	-	-	248,645	151,355	-
Dividend	股息	-	-	-	-	-	(133,934)	-	(133,934)
At 31 December 2016	於二零一六年十二月三十一日	712,051	118,314	19,800	(28,907)	23,185	114,711	(102,556)	856,598

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

45 SUBSEQUENT EVENTS

On 3 January 2017, 杭州朗輝投資管理有限公司 (Hangzhou Langhui Investment Management Co., Ltd. (“Hangzhou Langhui”)), a wholly-owned subsidiary of the Company entered into an agreement with 寧波金沃房地產開發有限公司 (Ningbo Jinwo Real Estate Development Co., Ltd. (“NBRED”)), pursuant to which Hangzhou Langhui has agreed to purchase and NBRED has agreed to sell its entire equity interest in 寧波金沃商業投資有限公司 (Ningbo Jinwo Commercial Investment Co., Ltd. (“NBJIC”)). The total consideration is RMB270,000,000. Subject to and upon completion of the acquisition, NBJIC will become a wholly-owned subsidiary of the Group.

On 3 January 2017, Hangzhou Langhui entered into an acquisition agreement with 杭州紅寶電力燃料有限公司 (Hangzhou Hongbao Electric Fuel Company Limited (“Hangzhou Hongbao Electric Fuel”)), pursuant to which Hangzhou Langhui has agreed to purchase and Hangzhou Hongbao Electric Fuel has agreed to sell the entire equity interest in 浙江天元房地產開發有限公司 (Zhejiang Tianyuan Properties Development Company Limited (“Zhejiang Tianyuan”)), and Hangzhou Langhui has agreed to provide the shareholder’s loan to Zhejiang Tianyuan. The total consideration is RMB286,910,039.

On 10 February 2017, 成都朗輝企業管理諮詢有限公司 (Chengdu Langhui Corporate Management and Consulting Co., Ltd. (“Chengdu Langhui”)), a wholly-owned subsidiary of the Company entered into an agreement with Masque Enterprises Limited (“Masque”), pursuant to which Chengdu Langhui has agreed to purchase and Masque has agreed to sell its entire interest equity in 成都漢飛房地產開發有限公司 (Chengdu Hanfei Properties Development Co., Ltd.) at the consideration of RMB186,000,000 (subject to the adjustment).

On 24 February 2017, 上海朗松實業有限公司 (Shanghai Langsong Enterprises Co., Ltd. (“Shanghai Langsong”)), a wholly-owned subsidiary of the Company has successfully bid for the properties held by 中國太平洋人壽保險有限公司 (China Pacific Life Insurance Co., Ltd. (“China Pacific”)) at the public auction held by Shanghai United Assets and Equity Exchange and has entered into an agreement with China Pacific, pursuant to which Shanghai Langsong has agreed to acquire, and China Pacific Life Insurance agreed to sell the properties at the consideration of RMB312,000,000.

45 報告期後事項

於二零一七年一月三日，本公司全資附屬公司杭州朗輝投資管理有限公司（「杭州朗輝」）與寧波金沃房地產開發有限公司（「NBRED」）訂立協議，據此，杭州朗輝同意收購，而NBRED同意出售所持寧波金沃商業投資有限公司（「NBJIC」）的全部股權，總代價為人民幣270,000,000元。收購完成後，NBJIC將成為本集團全資附屬公司。

於二零一七年一月三日，杭州朗輝與杭州紅寶電力燃料有限公司（「杭州紅寶電力燃料」）訂立收購協議，據此，杭州朗輝同意收購，及杭州紅寶電力燃料同意出售浙江天元房地產開發有限公司（「浙江天元」）全部股權，以及杭州朗輝同意向浙江天元提供股東貸款，總代價為人民幣286,910,039元。

於二零一七年二月十日，本公司全資附屬公司成都朗輝企業管理諮詢有限公司（「成都朗輝」）與Masque Enterprises Limited（「Masque」）訂立協議，據此，成都朗輝同意收購，而Masque同意出售所持成都漢飛房地產開發有限公司全部股權，代價為人民幣186,000,000元（可予調整）。

於二零一七年二月二十四日，本公司全資附屬公司上海朗松實業有限公司（「上海朗松」）成功經上海聯合產權交易所的公開掛牌出讓投得中國太平洋人壽保險有限公司（「中國太平洋」）持有的物業並訂立協議，據此，上海朗松同意收購，而中國太平洋人壽保險同意出售該物業，代價為人民幣312,000,000元。

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